

SECTION 184 INDIAN HOUSING

LOAN GUARANTEE PROGRAM

Processing Guidelines 2011

Chapter 5: Loan Processing, Underwriting, and the Firm Commitment

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5.1 OVERVIEW

This chapter explains the way lenders request a Section 184 case number, how prospective borrowers are qualified, and how loan applications are submitted for underwriting and loan approval.

The following list outlines some of the key steps in processing the loan:

- Prospective borrowers apply for a 184 mortgage through an approved Office of Loan Guarantee (OLG) Section 184 lender.

- Lenders should determine whether: (1) the prospective borrower is an enrolled member of a federally recognized tribe; (2) the prospective borrower has sufficient income, assets for the down payment and satisfactory credit to qualify for the loan; and (3) the property is in an approved Indian Operating area
- The lender requests a case number from OLG to reserve available loan guarantee funds. Case numbers are valid for up to 180 days from issuance.
- Once the lender has determined that the borrower meets program requirements (as defined in Chapter 1.3(b)); the lender submits a fully processed underwriting case binder to the assigned Loan Guarantee Specialist.
- OLG acts as Chief Underwriter for all Section 184 applications with the exception of Direct Guarantee lenders.
- Documentation submitted in case binder must be two-hole punched, bound in a legal-sized folder, and organized in accordance with the applicable checklist. This folder should have a label with the borrowers name and Section 184 case number. The file should be shipped, preferably by overnight mail, to the loan guarantee specialist designated on the case number request form.
- Lenders are notified of approval or rejection via facsimile or email. Lenders have 30 days from the date of a rejection to submit additional information and request the OLG to reconsider the application.
- Firm commitments are in most cases valid for 60 days. Lenders may request an extension of the firm commitment from OLG.
- Firm commitments for loans where the lender is carrying the interim construction can be valid for up to 180 days depending on the date of the oldest credit documentation.
- OLG does not prequalify borrowers. Lenders are responsible for ensuring borrower meets the 184 Program requirements prior to requesting an assigned case number.

SECTION I: QUALIFICATION OF BORROWERS

5.2 GENERAL APPROACH

Application Format. Lenders must submit a Uniform Residential Loan Application (URLA) for all borrowers. The application must be signed by the borrower and the lender's certification on the HUD Addendum Form 92900-A must not pre-date that of the borrower. (see Appendix 5.1)

Criteria for Review of Application. The underwriting review determines the borrower's ability and willingness to repay the mortgage debt.

1. The borrower's ability to repay the debt is assessed by considering: income history and stability; employment history and stability; and debts
2. The borrower's willingness to repay the mortgage debt is assessed by considering both credit and pay history.

Verifications.

1. **Timing.** Credit, income and valuation information may not exceed 60 days at underwriting and may not exceed 120 days when the loan closes. OLG's loan approvals are conditioned upon this requirement. It is understood that lenders may have to update credit and income information periodically during loan processing. If the borrower's circumstances change significantly, the lender must resubmit the loan application to OLG for reconsideration.
2. **General Authorization.** Rather than requiring borrowers to sign multiple verification forms, the lender may have the borrower sign a general authorization form that gives the lender blanket authority to verify the information needed to process the mortgage loan application.
3. **Transmittal.** All verifications should be transmitted directly from the lender. Verification authorizations may be transmitted by facsimile machine. In addition, electronic signatures are acceptable.

Co-Borrowers. OLG will permit non-occupying co-borrowers if the co-borrower takes title to the property and obligates him/herself on the mortgage note.

Co-Signers. OLG will allow a co-signer with no ownership interest in the property (does not take title) to execute the loan application and mortgage note and be liable for repayment of the obligation. The co-signer's income, assets, liabilities, and credit history are included in the determination of credit worthiness.

1. The occupying borrower must meet program eligibility as an enrolled member of a federally recognized tribe.
2. Neither the non occupying co-borrower nor the co-signer may be a party that has an interest in the transaction, such as the seller, builder, real estate agent, etc. Exceptions may be granted if the seller and the co-borrower/co-signer is a family member of the owner occupant or is the Indian Housing Authority (IHA)/Tribally Designated Housing Entity (TDHE) or Tribe.
3. Non-occupying co-borrower or co-signer must have a principal residence in the United States.

Except for the distinctions described above, all references to co-borrowers, including the 75% loan to value limits apply equally to co-signers.

CAIVRS. HUD's Credit Alert Interactive Voice Response System (CAIVRS) is a Federal government-wide repository of information on individuals with delinquent or defaulted Federal debt and for whom a payment of an insurance claim has occurred. Lenders must screen all borrowers, including nonprofit agencies acting as a borrower, using CAIVRS. Lenders access CAIVRS either through the Federal Housing Administration (FHA) Connection or functional equivalent. Lenders must write the CAIVRS authorization code for each borrower on the 184 MCAW (see Appendix 5.5), and provide a copy of the verification.

Citizenship and Immigration Status. Citizenship of the United States is not required for eligibility. When a borrower indicates on the loan application that he or she holds something other than U.S. citizenship, the lender must determine residency status from the documentation provided by the borrower.

Lawful Permanent Resident Aliens: For those borrowers with *lawful permanent resident alien* status, OLG will guarantee the mortgage under the same terms and conditions as U.S. citizens. The lender must document the mortgage file with evidence of permanent residency and indicate on the Uniform Residential Loan Application (URLA) that the borrower is a lawful permanent resident alien. Evidence of lawful permanent residency is issued by the Bureau of Citizenship and Immigration Services (BCIS) (formerly the Immigration and Naturalization Service) within the Department of Homeland Security.

Non-Permanent Resident Aliens: OLG will also guarantee a mortgage made to a *non-permanent resident alien* provided that the property will be the borrower's principal residence, the borrower has a valid Social Security Number, and the borrower is eligible to work in the U.S. as evidenced by an Employment Authorization Document (EAD) issued by BCIS. If the authorization for temporary residency status will expire within one year and a prior history of residency status renewals exists, the lender may assume continuation will be granted. If there are no prior renewals, the lender must determine the likelihood of renewal, based on information from the BCIS.

Although social security cards may indicate work status, such as “not valid for work purposes,” an individual’s work status may change without the change being reflected on the actual social security card. Therefore, the social security card is not to be used as evidence of work status for non-permanent resident aliens; the BCIS employment authorization document is to be used.

Non-Purchasing Spouses. If required by state law in order to perfect a valid and enforceable first lien, the non-purchasing spouse may be required to sign either the security instrument or documentation, evidencing that he or she is relinquishing all rights to the property. If the non-purchasing spouse executes the security instrument for such reasons, he or she is not considered a borrower and need not sign the loan application. In all other cases, the non-purchasing spouse is not to appear on the security instrument or otherwise take title to the property at loan settlement.

Where there is a non-purchasing spouse who signs the security instrument relinquishing their right to the property pursuant to applicable state laws, the non-purchasing spouse does not have to sign the mortgage note. Signing the security instrument for such purposes does not make the non-purchasing spouse a co-borrower.

Except for the obligations specifically excluded by state law, the debts of the non-purchasing spouse must be included in the borrower’s qualifying ratios if the borrower resides in a community property state or the property to be insured is located in a community property state. Although the non-purchasing spouse’s credit history is not to be considered a reason for credit denial, a tri-merge credit report must be obtained for the non-purchasing spouse in order to determine the debt-to-income ratio.

The community property states include: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, Wisconsin

5.3 CREDIT HISTORY

OLG analyzes a borrower’s credit history and payment pattern. Where there is derogatory credit, the lender should apply a standard consistent with program guidelines in determining

whether additional clarifying information is needed. For example, the appearance of an occasional late payment over a time period of several years may not need an explanation if the borrower has an otherwise good credit and payment history.

Lenders must investigate all derogatory credit during the past two years and require the borrower to explain in writing the reason(s) for the derogatory information. Any minor derogatory incidents occurring beyond two years may not require a written explanation.

When delinquent accounts are revealed, the lender must determine whether the late payments were due to a disregard for financial obligations, an inability to manage these obligations, or factors beyond the control of the borrower.

Credit Standard: Borrower must meet the following credit requirements:

- No late payments in the past 12 months on all accounts.
- No bankruptcy, judgment, or liens in the past 24 months.
- No accounts converted to collection in the past 12 months.
- All collections must have been paid in full 12 months prior to the date of application.
- All accounts that were delinquent and/or in collection and are being paid through a repayment agreement must include an executed repayment agreement between the creditor and the borrower and a 12 month payment history under the repayment agreement.

Exceptions: Requests for exceptions to any of the above must be reviewed by the OLG underwriter and approval is on a case by case basis. Lenders must fully document an exception request with supporting evidence and/or show evidence that the “credit issue” was a circumstance beyond the control of the borrowers.

Alternative Credit. When a borrower has not established a conventional credit history, the lender is permitted to develop a credit history from other means such as rent, utility payments, auto insurance, etc. The lack of credit history may not be used as a basis for rejection.

1. One to three alternative credit sources with a 12 month repayment history should be included in the case binder and must demonstrate the borrower’s ability to repay as agreed.
2. Alternative credit may not be used to replace or offset bad credit shown on a traditional credit report.

5.4 CREDIT REPORTS

Required Credit Reports. Lenders must obtain a Three Repository Merged Credit Report (TRMCR) on each applicant. Although OLG does not generally require it, lenders may request a Residential Mortgage Credit Report (RMCR) as well. The lender must also separately develop credit information for any open debt listed on the loan application but not referenced on the credit report.

While the TRMCR should prove sufficient for processing most loan applications, the following circumstances require ordering an RMCR:

1. The borrower disputes accounts on the TRMCR.

2. The borrower states that collections, judgments, or liens reflected as open on the TRMCR have been paid but cannot provide separate supporting documentation.
3. The borrower claims that certain debts shown on the TRMCR have different balances and/or payments but cannot provide current statements (less than 30 days old).
4. The lender's underwriter determines that it would be prudent to utilize a RMCR in lieu of a TRMCR to properly underwrite the loan.

Charges for Credit Reports. In all cases, the borrower may be charged only the amount billed by the credit reporting agency. A borrower may not be charged for both a TRMCR and a RMCR on the same loan except when delays on the part of the borrower require the TRMCR to be updated and a RMCR is ordered for one of the reasons described above.

Standards for Credit Report Submission to OLG. Credit reports submitted to HUD must:

1. Be the original provided by the credit reporting agency or received electronically and printed by the lender's printer. If the credit report submitted is not the original, the lender (by submission) certifies this to be an unaltered credit report.
2. Contain all credit that is available in the repositories, be accurate and complete, and provide an account of the credit, residence history, and public record information of each applicant responsible for the mortgage debt. The report must include all credit and legal information not considered obsolete under the Fair Credit Reform Act. This includes bankruptcies, judgments, lawsuits, foreclosures, and tax liens that have occurred within the last 7 years.
3. Contain 24 months of employment and residency history if not verified otherwise.
4. Identify each applicant's name, social security number, date accounts were opened, credit limit, required payments, unpaid balance, and payment history of each account.
5. Payment history must appear in the "number of times past due" format and be otherwise easy to read and understandable.
6. Must have no whiteouts, erasures, or alterations.
7. Indicate the name and address of the credit reporting agency, and each account listed must show the primary repository from which the particular information was obtained.
8. Show the name of the party ordering the report.

5.5 CREDIT AND DEBT ANALYSIS

General. Accounts listed as "rate by mail only" or "need written authorization" require separate verification. Each account with a balance must have been checked with the creditor within 90 days of the date of the credit report. The borrower must explain all inquiries shown on the credit report for the last 90 days.

Recent Debts. The lender must ascertain whether any recent debts were incurred to obtain part of the required cash investment on the property being purchased.

Projected Increase in Housing Expense. The projected increase in the applicant's housing expense from their present housing expense must be carefully analyzed. If the new housing expense will significantly exceed their previous housing expense and the applicants have not exhibited an ability to accumulate savings or otherwise manage financial affairs, compensating

factors must be present to allow for loan approval. (The projected mortgage interest deduction on the applicant's federal income tax return, while beneficial to the applicants, is not a compensating factor and may not be included in the analysis.)

Payment History on Previous Mortgages. If the lender uses the credit report for this verification it must cover the previous 24 months of activity.

Undisclosed Debt. If the credit report reveals debt not disclosed on the application, the lender must obtain a new URLA which discloses all debts shown on credit report.

Revolving Accounts. When revolving accounts with outstanding balances do not have stated minimum payments, payments should be calculated at the greatest of 5% of the outstanding balance or \$10 per month.

Judgments, Garnishments, or Liens. All judgments, garnishments, or liens must show evidence of payment in full at least 12 months prior to the date of application. In addition, the applicant must furnish a written letter of explanation and must have reestablished good credit. Exception to the 12 month paid in full is subject to underwriter review and approval.

Bankruptcy. The bankruptcy must have been discharged fully, and the applicant must have reestablished good credit and demonstrated an ability to manage financial affairs. There must be at least 2 years between the discharge of the bankruptcy and the mortgage application. A shorter elapsed time—but not less than 12 months—is justified if the lender is able to document that extraordinary circumstances caused the bankruptcy (such as an extended illness that was not covered by health insurance) and that the applicant's current situation is such that the events that led to the bankruptcy are not likely to recur. In all cases, the lender must have sufficient documentation to support the decision that the applicant is credit worthy.

An applicant paying off debts under Chapter 13 of the Bankruptcy Act or making payments through a Consumer Credit Counseling plan may also qualify if:

1. One year of the pay-out period has elapsed and performance has been satisfactory; and
2. The applicant receives court approval (if Chapter 13) to enter into the mortgage transaction.

Mortgage Foreclosure. Generally, OLG will not guarantee a mortgage if the applicant has been a defendant in mortgage foreclosure proceedings that were completed within the past 3 years.

Mortgage Short Sale. Generally, OLG will not guarantee a mortgage if the applicant has been a defendant in a mortgage short sale proceeding that was completed within the past 2 years. An exception can be made if the short sale was approved by the lender prior to the loan becoming delinquent or in default. If prior approval was not granted by the lender the short sale is reported like a mortgage foreclosure.

Suspensions and Debarment. An applicant suspended, debarred, or otherwise excluded from participation in other HUD programs is not eligible for a Section 184 mortgage. The lender must examine HUD's "Limited Denial of Participation (LDP) List" and the government-wide General Services Administration's (GSA's) "List of Parties Excluded from Federal Procurement

or Non-procurement Programs." If the name of any party to the transaction appears on either list, the application is not eligible for a loan guarantee. (An exception is made when a seller appears on the LDP list and the property being sold is the seller's principal residence.) A copy of the LDP/GSA verification must be submitted in the underwriting case binder.

Delinquent Federal Debts. If the borrower is presently delinquent on any federal debt (e.g., FHA or VA mortgage, federal student loan, Small Business Administration loan, delinquent federal taxes) or has a lien, including taxes, placed against property for a debt owed to the United States, the applicant is not eligible until the delinquent account is brought current, paid, or otherwise satisfied, (e.g., satisfactory repayment plan with 12 month of timely payments made between the applicant and the federal agency owed).

CAIVRS. If CAIVRS indicates the borrower is presently delinquent or has had a claim paid within the previous three years on a loan made or insured by HUD on their behalf, the borrower is not eligible except as described below:

Assumptions. If at the time of assumption the loan was current, the borrower is eligible for a Section 184 mortgage if he/she sold the property with or without a release of liability, to an individual who subsequently defaulted.

Divorce. A borrower may be eligible for a Section 184 mortgage if the divorce decree or legal separation agreement awarded the property and responsibility for payment to the former spouse. The borrower must prove that the loan was current while he/she was responsible for the payments. The borrower is not eligible if a claim was paid on the mortgage prior to the divorce.

Bankruptcy. The borrower may be eligible for Section 184 mortgage if the bankruptcy was caused by circumstances beyond the borrower's control.

5.6 DETERMINING INCOME

Income and the likelihood of its continuance must be documented. Income from any source that cannot be verified, is not stable, or will not continue cannot be used in calculating the applicant's qualifying ratios or used as a compensating factor.

The following describes acceptable types of income, procedures for calculating effective income, and requirements for establishing income stability.

Stability of Income. The lender must verify the most recent **2 full years'** of employment. If an applicant's employment history indicates participation in school or in the military during any of this time, the borrower must provide supporting evidence (i.e., college transcripts or discharge papers).

The borrower must provide a written explanation for gaps in employment of a month or more. If a borrower has returned to the work force after an extended absence, the borrower's income may be considered effective and stable provided:

1. The borrower has been employed in the current job for 6 months or more; and

2. The borrower can document a 2-years work history prior to the absence from the work force. This can be accomplished by providing employment verifications, copies of W-2's, etc.

To analyze the probability of continued employment, lenders must examine the borrower's past employment record, qualifications for the position, previous training and education, and the employer's confirmation of continued employment. A borrower who changes jobs frequently within the same line of work, but continues to advance in income, may be considered favorably.

Salaries, Wages, and Other Forms of Income. The income of each borrower who is obligated by the mortgage debt must be analyzed to determine whether it can be expected to continue through the first **3 years of the mortgage loan**. If the borrower intends to retire during this period, the effective income will be the amount of retirement benefits or social security payments expected.

In most cases, borrower income will come primarily from salaries or wages. However, income from most other sources, provided it is properly verified by the lender, also can be included as income. Sources of income not meeting the criteria for documentation of income may be considered as a compensating factor.

Overtime and Bonus Income. Overtime and bonus income may be counted as effective income if the borrower has received such income for the past 2 years and there are reasonable prospects of its continuance. An earnings trend over the period of receipt should be analyzed. If either type of income shows a continual decline, the lender must provide a sound rationale for including it as effective income.

Commission Income. To consider as qualifying income, the borrower must document a consecutive two year history of commission income. Eligible commission income will be calculated as the lesser of the current year or the average of the two previous years. For commissions which are greater than 25% of qualifying income the borrower must provide signed tax returns and schedules from the previous two years and a recent pay stub. Business expenses not reimbursed must be subtracted from gross income.

Seasonal Income. Income from seasonal employment may be counted if the borrower can show a history of seasonal income for at least 2 years, and eligibility for rehire during the next season. Unemployment income expected to be received for some period of the "off season" may be counted if the borrower has received it for the past 2 years and there is reasonable assurance of its continuance. This may be appropriate for individuals employed on a seasonal basis, such as farm workers or fishing crews.

HUD recognizes that many Native American families rely on seasonal income. Lenders must not arbitrarily restrict the consideration of such income sources in qualifying borrowers.

Part-Time Income. Income from part-time employment may be counted if the borrower has worked the part-time job for the past 2 years and documentation verifies that the employment will continue.

Retirement and Social Security Income. Income from retirement or social security is acceptable with verification that they will continue for at least 3 years. Income from these sources may be grossed up by 25% if not reported as taxable income on a tax return.

Any benefits that will expire within the first 3 years of the mortgage may not be considered income but may be used as a compensating factor.

Alimony, Child Support, or Maintenance Payments. Income in this category may be considered if such payments are likely to be received for the first 3 years of the mortgage. The borrower must provide a copy of the divorce decree or legal separation agreement and evidence that payments have been made during the past 12 months. Acceptable evidence of income includes cancelled checks, deposit slips, tax returns, or court records. Periods of less than 12 months may be considered as a compensating factor.

Notes Receivable. A copy of the note must be presented to establish the amount and length of payment. The borrower must also provide evidence, which may include deposit slips, cancelled checks, or tax returns that payments have been received consistently for the previous 12 months.

Interest and Dividends. Interest and dividend income may be counted provided documentation supports a two-year history of receipt. This income must be averaged over the 2 years. Any funds derived from these sources and required for the cash close must be subtracted before the projected interest or dividend income is calculated.

VA Benefits. Direct compensation verified by the VA, such as for a service-related disability, is considered income.

Government Assistance Programs. Assistance income (e.g., welfare, workman's compensation, or payments for foster children) is considered income subject to documentation from the paying agency and provided the income is expected to continue for the first 3 years of the mortgage. If not expected to last the first 3 years, the income is considered a compensating factor.

Education Benefits. Education benefits used to offset education expenses are not considered income.

Rental Income documented on Tax Return(s). Rent received for properties owned by the borrower may be included as qualifying income, with the following documentation:

1. Schedule E of IRS form 1040. Depreciation can be added back into the net income or loss shown on Schedule E. Positive net rental income is considered as gross income for qualifying purposes. Negative rental income must be treated as a recurring liability.
2. The lender must make certain the borrower still owns each property listed by comparing the Schedule E with the real estate owned section of the application; and
3. Current rental lease for property(s) shown on Schedule E with a remaining term not less than six months.

Rental Income not documented on Tax Return(s). If a property was converted to rental since the last income tax filing and/or is not shown on the Schedule E, the rental income may only be considered as compensating income provided the borrower has an executed lease agreement with a remaining term that is not less than six months. The lender must adjust based on the applicable vacancy factor. The full monthly PITI must be included as a debt.

Income from roommates or sub-leasees in a single-family property to be occupied as the borrower's primary residence is not considered income.

Non-taxable or Trust Income. Both the tribes and individual tribal members may have income derived from sources such as timber sales on trust lands, lease payments from trust lands, or fishing income. Such income is not reported through normal tax reporting methods. Lenders should obtain verification through sources such as the local BIA offices, tribal documentation, sales receipts, or banking records. These incomes should be averaged over a two year period.

Tribal Distribution. If a borrower receives per capita income from their tribe, and this income can reasonably be expected to continue for the first 3 years of the mortgage, it can be used as qualifying income. The borrower must provide 1099's, or W-2's to document a two year history. If the borrower has not received tribal distribution for two consecutive years the file must include a current per capita income statement and an executed statement from the tribe that verifies payments have been made to tribal members for a minimum of two years and is expected to continue. The lesser of the current per capita payment or two-year average will be used for income purposes.

Projected Income. Projected income is not acceptable for qualifying purposes. However, exceptions are permitted to this rule for income from cost-of-living adjustments, performance raises, bonuses, etc., which are both verified by the employer in writing and scheduled to begin within 60 days of loan closing.

If a borrower is about to start a new job and has a guaranteed, non-revocable contract for employment that will begin within 60 days of loan closing, the income is acceptable for qualifying purposes. The lender also *must* verify that the borrower will have sufficient income or cash reserves to support the mortgage payments and any other obligations during the interim between loan closing and the start of employment. (This condition may be appropriate for situations such as teachers whose contracts will begin with the new school year, or physicians who will begin residency after the loan is scheduled to close.) However, if the loan will close more than 60 days before the borrower's employment begins, the loan is *not eligible for endorsement* until the lender provides a pay stub or other acceptable evidence that the borrower has begun the new job.

Military Income. In addition to base pay, military personnel may be entitled to additional forms of pay. Income from variable housing allowances, clothing allowances, flight or hazard pay, rations and proficiency pay all may be counted, provided its continuance is verified.

Employment by Family-Owned Businesses. Borrowers employed by businesses owned by family members must provide normal verification of employment and pay stubs, as well as evidence that the borrower is not an owner of the business. This may include copies of the borrower's signed personal tax returns or a signed copy of the corporate tax return showing ownership percentages or a signed certified statement by the corporation or business accountant.

Self-Employed Borrowers. A borrower with ownership interest in a business of 25% or more is considered self-employed for mortgage loan underwriting purposes.

Minimum Length of Self-Employment. Income from self-employment is considered stable and effective if the borrower has been self-employed for at least 2 years with the appropriate schedule of business tax.

Analyzing Income. The lender must establish the borrower's earnings trend over the previous 2 years, but may average the income over 3 years if all 3 years' tax returns are provided. In addition, the income shown on the year-to-date profit-and-loss statement may be included in determining average income if it is consistent with the previous years' earnings. Lenders must carefully analyze the individual business' financial strength and the source of its income. If the year to date earnings are not consistent (i.e., sizable increase) the lender must provide verification that the borrower has paid quarterly taxes to IRS for the year to date earnings.

Documentation Requirements. The following are required for self-employed borrowers:

1. Signed and dated individual tax returns, plus all applicable schedules, for the past 2 years.
2. Signed and dated federal business income tax returns for the past 2 years, with all applicable schedules, if the business is a corporation, an "S" corporation, or a partnership.
3. Signed and dated year-to-date profit-and-loss statements and balance sheets and evidence of quarterly tax payments on year to date income that has been submitted to the IRS.

Corporate Tax Returns (IRS Form 1120). Corporations are state-chartered businesses owned by their stockholders. Compensation to its officers, generally in proportions to the percentage of ownership, is shown on the corporate tax returns and will appear on individual tax returns. If the borrower's percentage of ownership is not shown, it must be obtained separately from the corporation's accountant, with evidence that the borrower has the right to those funds. Once the adjusted business income is determined, it should be multiplied by the borrower's percentage of ownership in the business.

In analyzing corporate tax returns, the lender must adjust for the following:

Depreciation and Depletion. The corporation's depreciation and depletion must be added back to after-tax income.

Taxable Income. Taxable Income is the corporation's net income before federal taxes. It must be reduced by the tax liability.

Mortgage Credit Certificate (MCC) If a government entity subsidizes the borrower's mortgage payments, either through direct payments or through tax rebates, these payments can be considered as acceptable income if verified in writing. Either type of subsidy may be used to directly offset the mortgage payment before calculating the qualifying ratio.

The expense involved in obtaining an MCC is considered a prepaid expense and cannot be financed in the closing costs.

5.7 TYPES OF LIABILITIES

Lenders must evaluate all liabilities, defined as on-going debt, for borrowers under the Section 184 Program. This section outlines the basic requirements of such a review.

Recurring Obligations. The borrower's liabilities include all installment loans, revolving charge accounts, real estate loans, alimony, child support, and all other continuing obligations. In computing the debt-to-income ratios, the lender must include the monthly housing expense and all other additional recurring charges, including payments on installment and revolving accounts *extending 6 months or more*. Debts of less than 6 months' duration may be eliminated; unless the underwriter determines that the amount of the debt affects the borrower's ability to pay the mortgage.

Revolving Accounts. If the account shown on the credit report has an outstanding balance, monthly payments for qualifying purposes must be calculated at the greater of 5% of the balance or \$10 (unless the account shows a specific minimum monthly payment.)

Alimony. Because of the tax consequences of alimony payments, the lender may choose to treat the monthly alimony obligation as a reduction from the borrower's gross income or as a monthly obligation.

Contingent Liabilities. Contingent liabilities must be considered when assessing the borrower's ability to repay the loan. A contingent liability exists when an individual would be held responsible for payment of a debt should another party jointly or severally obligated default on that payment. Unless the borrower can provide conclusive evidence that there is no possibility the debt holder will pursue debt collection against the borrower should the other party default, the following rules apply:

- A. **Co-signed obligations.** If the borrower is a co-signer on any obligation, contingent liability applies unless:
1. The originator has made 12 consecutive payments as agreed.
 2. There was a divorce decree or legal separation and the borrower's ex-spouse was given the responsibility for payment of the obligation. A copy of the separation agreement or the divorce decree, along with a release of lien from the creditor must be submitted.
 3. At or before #2 above the liability was current.

Mortgage obligations. Mortgage obligations on an outstanding mortgage secured by a property which has been sold or traded within the last 5 years without a release of liability, are considered a contingent liability unless:

1. The originator has made 12 payments as agreed.
2. There was a divorce and the borrower's ex-spouse was awarded both the property and responsibility for payment of the mortgage as a part of the legal separation or divorce settlement. A copy of the separation agreement or divorce decree is acceptable evidence.
3. The borrower was transferred by his or her employer and is covered by a home sale guarantee plan. A copy of the relocation agreement is acceptable evidence.

4. An appraisal or closing statement from the sale of the property supports a value that results in a 75% loan to value ratio (i.e. the outstanding balance on the mortgage loan cannot exceed 75% of the appraised value or sales price).
5. The property sold had a HUD-insured mortgage and was sold to an owner occupant. Proof of this sale must be obtained.
6. There was an assumption of the mortgage with a release of liability.

Projected Obligations. If a debt payment, such as a student loan is scheduled to begin within 12 months of the mortgage loan closing, the lender must include the anticipated monthly obligation in the underwriting analysis. Similarly, balloon notes that come due within 1 year of loan closing must be considered.

Obligations Not Considered Debt. Obligations that are not considered debt include federal, state and local taxes; FICA or other retirement contributions such as 401(k)s (including repayment of debt secured by these funds); child care costs; commuting costs; union dues; open accounts with zero balances; automatic deductions to savings accounts; and other voluntary deductions.

5.8 DETERMINING ABILITY TO PAY

Once the lender has reviewed the borrower's income and liabilities, the lender can determine the borrower's ability to pay. This section describes the criteria for this calculation under the Section 184 Program.

Debt to Income Ratio. OLG uses a 41% debt to income ratio when seeking to qualify applicants for a Section 184 Loan. A debt-to-income ratio exceeding 41% may be acceptable if significant compensating factors are presented.

The monthly debt payment includes (but not limited to):

1. Principal and interest payments on the mortgage
2. Hazard insurance premiums
3. Flood insurance premiums
4. Real estate taxes
5. Leasehold taxes or payments
6. Homeowner or condominium association dues
7. Payments on subordinate liens
8. Payments on all recurring obligations and other liabilities
9. Negative rental income from investment properties

10. Monthly mortgage payments on any other real estate

Compensating Factors. A debt-to-income ratio exceeding 41% may be acceptable if significant compensating factors are presented. Compensating factors include:

1. The borrower has successfully demonstrated the ability to pay housing expenses equal to or greater than the proposed monthly housing expenses for the new mortgage.
2. The borrower makes a large down payment (from their own funds) toward the purchase of the property (at least 10%).
3. The borrower has documented substantial non-taxable income that has not been included as qualifying income.
4. The borrower has substantial cash reserves after closing.
5. Other reasonable and documented compensating factors will be considered based on supporting evidence.

5.9 BORROWER'S INVESTMENT IN THE PROPERTY

The cash investment in the property must equal the difference between the amount of the base mortgage and the total cost to acquire the property, including prepaid expenses. Verification of the source and adequacy of the borrower's funds to close is required prior to the issuance of a firm commitment. Acceptable sources of down payment include:

1. Earnest money deposit
2. Savings and checking accounts
3. Gift funds
4. Secured funds
5. Sales proceeds
6. Trade equity
7. Sale of personal property
8. Savings bonds and other similar certificates
9. Cash on hand
10. IRAs and Keogh accounts
11. Stocks and bonds
12. Private savings clubs

13. Sweat equity
14. Rent Credit (determined by the appraisal)
15. Tribal/government assistance

Amount. The minimum borrower's cash investment in the property must equal the difference between the amount of the loan, excluding the 1% guarantee fee, and the total cost to acquire the property, including prepaid expenses and other settlement costs paid by the borrower. Exhibit 5-1 provides an example of determining the borrower's cash investment when the borrower pays the normal borrower's closing costs and prepaids.

Settlement Items. The following items cannot be included in the financed mortgage and are paid at closing with borrower's funds, gift funds, or seller's contribution not to exceed 6% of sales price:

1. Pre-Paid Items on purchase transactions collected at closing are to cover accrued and un-accrued hazard premiums, taxes and interim interest, and similar fees and charges.

To reduce the burden on some borrowers whose loans were scheduled to close at the end of the month but did not due to unforeseen circumstances, lenders and borrowers may agree to credit the per diem interest to the borrower and have the mortgage payments begin the first of the succeeding month.
2. Discount Points must represent a benefit to the borrower (i.e., lower interest rate) and may not exceed Section 32 limits.
3. Non-Realty or personal property items that the borrower agrees to pay for separately. This also includes any amount subtracted from the sales price in determining the maximum mortgage. Non realty or personal property items must not be included in the appraised value.
4. Non-Financed Closing Costs such as commitment fees for guaranteeing the rate or points, and fees such as any buyer-broker fees or any such allowable fee not previously included in calculating the minimum cash investment.
5. Repairs and Improvements to be paid by the borrower that are not eligible for inclusion in determining the maximum mortgage amount.

Verification. The source and adequacy of all funds used for the borrower's investment in the property must be verified.

Exhibit 5-1: Determining Borrower's Investment		
Appraised Value:		\$120,000
Sales Price or Construction Cost:		\$110,000
Allowable Closing Costs:		\$ 4,000
Prepaid Expenses:		\$ 2,700
FHA Mortgage Limit (as of March 2008):		\$ 95,000
A. Section 184 mortgage limit:		\$95,000 x 150% = \$142,500
B. Loan-to-value cap based on appraised value:		\$120,000 x 97.75% = \$117,300
C. Loan-to-value cap based on acquisition cost:		
	Sales Price or Construction cost plus closing:	\$110,000 + \$4,000 = \$114,000
	Acquisition cost:	\$114,000
	Loan-to-value ratio based on acquisition cost:	\$114,000 x 97.75% = \$111,435
Maximum mortgage amount (lowest of A, B, or C): (without the loan guarantee fee)		\$111,435
Borrower's Investment:		
	Sales or Construction Price:	\$110,000
	Allowable Closing Costs:	\$ 4,000
	Prepaid expenses:	\$ 2,700
Total Cost to Acquire Property:		\$116,700
Less Maximum Mortgage Amount (base without the 1% guarantee fee):		\$111,435
Equals Borrower's Investment:		\$5,265

Funds to Close. Acceptable sources of the borrower's funds to close include:

1. Earnest Money Deposit (EMD). The lender must verify the deposit amount and the source of funds. Satisfactory documentation includes a copy of the borrower's cancelled check, and a bank statement, VOD or bank transaction statement dated after the EMD check has cleared.
2. Savings and Checking Accounts. A verification of deposit (VOD) obtained directly from the depository may be used to verify these accounts, along with the most recent bank statement or the originals or copies of the last two or three month bank statements. Electronic submissions of the above must include name of bank, borrower name(s), account number and web address. If there is a large increase in an account, or the account was opened recently, an explanation and evidence of source of funds must be obtained by the lender.
3. Gift Funds. An outright gift for the cash requirement is acceptable if the donor is the borrower's relative, the Tribe or TDHE, the borrower's employer or labor union, a charitable organization, a governmental agency or public entity that has a program to provide homeownership assistance to low and moderate-income families or first-time homebuyers, or a close friend with a clearly defined and documented interest in the borrower.

The gift donor may not be a person or entity with an interest in the sale of the property, such as the seller, real estate agent or broker, builder, or any entity associated with them. Gifts from these sources are considered inducements to purchase and must be subtracted from the sales price. No repayment of the gift may be expected or implied. Only family members may provide equity credit as a gift on a property being sold to other family members.

OLG deems the payment of consumer debt by third parties to be an inducement to purchase. While OLG permits sellers and other parties to make contributions of up to six percent of the sales price toward a buyer's closing costs and prepaids, this policy applies exclusively to the provision of mortgage financing. Other expenses paid on behalf of the borrower must result in a dollar-for-dollar reduction to the sales price. The dollar-for-dollar reduction to the sales price also applies to gift funds not meeting the requirement that the gift be for down-payment assistance and is provided by an acceptable source. When someone other than a family member has paid off debts, the funds used to pay off the debt must be treated as an inducement to purchase and the sales price must be reduced by a dollar-for-dollar amount in calculating the maximum insurable mortgage.

4. Secured Funds. Borrower may borrow against any collateral authorized under federal, state, or tribal law.
 - a) Satisfactory evidence is provided that these funds are fully secured by existing marketable assets, which are not the subject property. These assets may include:
 1. A first or second mortgage on real estate (other than the property being purchased).
 2. Personal property such as automobiles or boats.
 3. Cash (but not funds required to close the subject transaction), notes, an interest in securities, royalties, or annuities.
 - b) An IHA/TDHE or Tribe may lend a Tribal member the monies for the cash investment. This loan may be a second mortgage against the subject property with or without a monthly mortgage payment. When a monthly payment is required, the combined financing (i.e., the Section 184 loan and the Tribal/TDHE loan) may not exceed 105% of the lesser of:
 1. Appraised value; or
 2. Contract price plus normal closing costs, prepaids, and discount points.

Cash back to the borrower is not acceptable (beyond refund of borrower's own funds paid as earnest money deposit). The second mortgage must have equal monthly payments and may not contain any balloon provisions. This loan will be added to the borrower's monthly debt.

- c) Unless the borrower provides satisfactory evidence that the borrowed funds do not require repayment (e.g., some thrift and retirement plans or various loans secured by deposited funds or a soft second mortgage from the tribe or IHA/TDHE), the monthly debt resulting from the loan must be included in the borrower's qualifying ratios.

Unacceptable borrowed funds include signature loans, cash advances on credit cards, and similar unsecured financing.

However, family members may lend on a secured or unsecured basis 100% of the buyer's required investment including down payment, closing costs, prepaids and discount points.

The combined amount of financing (i.e., the Section 184 loan and the family member loan) may not exceed 100% of the lesser of the property's value or sales price, plus normal closing costs, prepaid expenses and discount points. Cash back to the borrower (beyond refund of the borrower's own funds paid as an earnest money deposit) at closing is not acceptable.

If periodic payments of the family member's secondary loan are required, the combined payments of the Section 184 loan and the family member's financing may not exceed the borrower's ability to pay. The secondary financing payment (if any) must be included in the borrower's total debt-to-income ratio.

The secondary financing may not provide for a balloon payment within 5 years from the date of execution of the financing agreement. If the family member providing the secondary financing borrows those funds, the source may not be any entity with an interest in the sale of the property.

Second Mortgages. HUD will permit second mortgages from lenders when the purchase price of the home is higher than Section 184 loan limits (150% of applicable FHA limits). The following guidelines are provided:

1. The applicant must qualify with both mortgage payments.
2. The second mortgage is not a substitute for the 2.25% down payment and payment of closing costs and prepaid by the borrower or an eligible donor.
3. The down payment will be calculated based on 97.75% (or 98.75% if the value of the property is less than \$50,000) of the Section 184 loan limit.
4. The combined first and second mortgages cannot exceed the appraised value.

Interest Rate Buy downs. The Section 184 regulations, statute, and guidelines are silent on this issue. Interest rate buy downs will be acceptable on purchase transactions only.

1. The borrower will be qualified at the buy down rate.
2. Maximum debt to income ratio may never exceed the 41% program guide.
3. Buy down funds may come from the seller, borrower, lender, or other interested third party. Funds provided by the seller, lender, or other interested third party are considered seller contributions and will be limited accordingly.

4. The maximum reduction in the interest rate is 2% below the note rate and may not result in more than a 1% annual increase in the interest rate.
5. The lender must establish that the eventual increase in mortgage payments will not adversely affect the borrower or likely lead to default.
6. An escrow assignment signed by the borrower and provider of funds must accompany the loan application.

Tribe/TDHE Down Payment/Buy down Assistance. Tribe/TDHE down payment or buy-down assistance is acceptable. There are some limitations on who can receive the assistance depending on the source of funds. The tribe/TDHE will generally provide assistance under one of the following categories:

1. **Tribe/TDHE's Own Funds.** The tribe/TDHE may provide assistance from their own tribal funds to whomever they choose. In this case, the tribe/TDHE (donor) should provide a written verification that the source of assistance is from their own funds and not provided from NAHASDA, HOME funds or any HUD source of funds.
2. **Tribe/TDHE NAHASDA Funds.** Assistance is generally limited to families with income at or below 80% of median income in accordance with NAHASDA regulations.

The tribe/TDHE can choose to structure the down payment assistance in whatever form they choose; i.e., gift with no repayment, soft second mortgage with a forgivable period of time, promissory note with repayment requirements, etc. The lender must obtain from the tribe the documentation regarding the applicable type of assistance.

Sales Proceeds. The net proceeds from an arms-length sale of a currently owned property may be used for the cash investment on a new house. A certified true copy of the fully executed HUD-1 Settlement Statement must be provided as satisfactory evidence of the cash sales proceeds accruing to the borrower. If the property has not sold as of the time of underwriting, the borrower approval must be conditioned upon verifying the actual proceeds received by the borrower. The lender must document both the actual sale and the sufficiency of the net proceeds required for settlement.

Trade or Land Equity. The borrower may agree to trade his or her real property to the seller as part of the cash investment. The amount of the borrower's equity contribution is determined by subtracting all liens against the property being traded plus any real estate commission due from the lesser of that property's appraised value or sales/trade price. Evidence of ownership is also required.

The appraisal must be a residential appraisal (conventional, HUD, or VA) and not more than 120 days old on the date of the trade. Additionally, if the property being traded has a HUD-FHA insured mortgage, HUD-FHA assumption processing requirements and restrictions apply.

Sale of Personal Property. If the borrower intends to sell personal property items (such as cars, recreational vehicles, stamp, coin, or baseball card collections) to obtain funds required for closing, in addition to conclusive evidence the items have been sold, the borrower must provide a satisfactory estimate of their worth. The estimated worth of the items being sold may be in the form of published value estimates, such as those issued by automobile dealers, philatelic or

numismatic associations or a separate written appraisal by a qualified appraiser. Only the lesser of this estimate of value or the actual sales price less any obligation(s) secured by the personal property, is considered as assets to close. The assets received must be deposited and verified.

Savings Bonds and Other Similar Certificates. Government-issued bonds are counted at original purchase price unless eligibility for redemption and redemption value are determined. Actual receipt of funds at redemption must be verified.

Cash on Hand. Cash on hand is acceptable. At the time of application, the lender will verify the funds that must then be deposited with the lender or another financial institution. The asset verification process requires that the borrower explain how such funds were accumulated and the amount of time taken to do so. The lender must determine the reasonableness of the accumulation based on the borrower's income, the time period of savings, spending habits, and history of using financial institutions.

Individual Retirement Accounts (IRAs) and Keogh Accounts. Only the net amount of IRAs and Keogh accounts, after subtracting federal income tax and withdrawal penalties, may be considered as assets to close. Evidence of redemption is required.

Stocks and Bonds. When the borrower's assets are due to the sale of stocks and bonds, the value of these securities must be verified from the stockbroker or by photocopies of the stock certificates along with a dated newspaper stock price list. Actual receipt of funds must be verified.

Sweat Equity. Labor performed or materials furnished by the borrower on the property being purchased may be considered as the equivalent of a cash investment to the extent of the estimated cost of the work or materials. (Sweat equity may be "gifted" subject to both the gift requirements and additional requirements shown below.) Additionally:

On existing construction, only the repairs or improvements listed on the appraisal or work plans or specifications are eligible for sweat equity. Any work completed or materials provided before the appraisal is made are not eligible. On proposed construction, the sales contract must indicate the work to be performed by the homebuyer during the construction.

The borrower's labor may be considered as the equivalent of cash if the borrower can demonstrate his or her ability to complete the work in a satisfactory manner. The lender must document the contributory value of the labor through either the appraiser's estimate or a cost estimating method.

Delayed work (on-site escrow), clean-up, debris removal, and other general maintenance cannot be included as sweat equity.

There can be no cash back to the borrower in these transactions.

Sweat equity on a property other than the property being purchased is not acceptable. Compensation for work performed on other properties must be monetary and be properly documented and verified if the funds are to be used to close the subject transaction.

If materials furnished by the borrower are to be used to purchase a property, then the market value of the materials must be provided.

Sweat equity cannot be used as a source of down payment funds on a single close loan. However, funds remaining after completion of the work can be used to pay down the mortgage.

Rent Credit. That portion of the rental payment that exceeds the appraiser's estimate of fair market rent may be considered accumulation of the borrower's cash investment. The rent with option to purchase or other rent credit agreement and the appraiser's estimate of market rent must be included in the loan package.

If the sales agreement reveals that the renter has been living in the property (or one owned by the seller) rent-free, or that an agreement was made allowing the renter to occupy at a rental amount considerably below fair market in anticipation of eventual purchase of the property, this must be treated as an inducement to purchase with an appropriate reduction to the sales price when calculating the borrower's acquisition cost. Exceptions may be granted in situations such as where a builder fails to deliver the property at an agreed-to time and then permits the borrower to occupy that property or another unit for less than market rent temporarily until construction is complete. OLG will give special consideration to IHA/TDHE or tribal assumptions of rental property.

5.10 IHA/TDHE OR TRIBAL APPLICATIONS FOR SUBSEQUENT SALE

Overview. Under this option, the IHA/TDHE or Tribe applies for financing to purchase, construct, or rehabilitate property (1-4 units) with the expressed purpose of selling the unit to a qualified tribal member at a later date.

Loan Processing. The lender will request the case number with the IHA/TDHE or Tribe listed as the borrower.

Sale Procedures. It is anticipated that IHAs/TDHEs or Tribes will undertake one of three processes to convey the unit to an individual homebuyer:

1. Identification of Buyer before Firm Commitment Processing. The first method is to identify the homebuyer after a case number has been assigned with the IHA/TDHE or tribe as the mortgagor, but before going to firm commitment and loan closing. At the time that the IHA/TDHE or Tribe identifies the household, all of the household's income and credit information must be submitted to the lender and to OLG for review and approval. If the borrower is approved, and if the property and mortgage requirements listed in Chapters 4 and 5 of this guidance are satisfied, the case number commitment is transferred to the borrower and HUD will issue a firm commitment. The lender may then close the guaranteed loan with the individual homebuyer as the borrower of record.
2. Assumption. The second method is for the loan to close with the IHA/TDHE or Tribe as the borrower. The IHA/TDHE or Tribe will later identify an eligible tribal member to assume the mortgage. If qualified, the tribal member assumes the mortgage with the same terms and conditions as the IHA/TDHE or Tribal guaranteed loan. When the qualified assumption is complete, The IHA/TDHE or Tribe will be released from liability on the loan.

All borrowers assuming guaranteed loans must be eligible for the program and meet income and credit criteria. When the IHA/TDHE or Tribe has identified a

borrower, the qualification information must be submitted to the lender and to OLG for review and approval before the assumption from the IHA/TDHE or Tribe to the buyer may be closed.

3. Sale. The IHA/TDHE or Tribe identifies the homebuyer after loan closing. The IHA/TDHE or Tribe elects to sell the home via an executed sales contract. The borrower must meet program eligibility (i.e., enrolled member of a federally recognized tribe) and must submit to the lender all required income, asset, and credit information. If the borrower qualifies, OLG will issue a firm commitment.

Firm Commitment Submission. For loans where the borrower is the Tribe, TDHE/IHA, the lender should follow the appropriate checklist and submit:

1. Case number request form (see Appendix 5.6)
2. Firm commitment checklist for IHAs/TDHEs & Tribes (see Appendix 5.7)
3. Mortgage Credit Analysis Worksheet (see Appendix 5.5)
4. Maximum Mortgage Worksheet (single close only) (see Appendix 5.8)
5. Good Faith Estimate
6. Executed Uniform Residential Loan Application (including Addendum A) (see Appendix 5.1)
7. The Land Status and Jurisdiction form or other similar evidence that the property is within an Indian area or located on trust land. (see Appendix 5.9)
8. CAIVRS
9. Appraisal including supporting documentation as provided by the appraiser.
10. IHA/TDHE or Tribal-audited financial statements. This must include the current financial statement for the IHA/TDHE or the Tribe (the latest statement required by the HUD programs) and previous year's annual statement.
11. Demonstration of IHA/TDHE and Tribal skills and experience to successfully undertake similar development activities.
12. Assets Analysis (proving sufficient debt coverage). The IHA/TDHE or Tribe must have sufficient assets to manage the debt service.
13. Demonstration of Sufficient Market. For large-scale projects, demonstration of a sufficient number of households that are interested in purchasing and could qualify to buy a home. Examples might include: IHA/TDHE waiting lists and a needs survey, or a market survey.
14. Marketing Plan. Description of how each unit will be marketed and subsequently sold to a homebuyer. This description should cover the anticipated sales price of

the home, time frames for property transfer, and any anticipated Tribal or IHA/TDHE price subsidy.

15. Evidence of Authority to Borrow. The IHA/TDHE or Tribe must provide evidence from its legal counsel (or other knowledgeable source) that it has the legal authority and capacity to become the borrower and that the IHA/TDHE or Tribe is not in bankruptcy. Typical information includes IHA/TDHE or Tribal board resolutions demonstrating the ability to borrow, lists of signatory authorities, and applicable by-laws.
16. Evidence of Ability to Obtain Deficiency Judgments. The IHA/TDHE or Tribe must also provide evidence that there is no legal prohibition that would prevent the lender from obtaining a deficiency judgment (if permitted by state law for other types of borrowers) on HUD's behalf in the event of foreclosure.
17. Verification of Deposit/Funds to Close and Source of Funds. Bank statements/VODs are required as with individual borrowers. IHA/TDHE or Tribe must document source of funds and ability to use funds for the cash investment in the properties.
18. Credit report (Dunn and Bradstreet)
19. Flood certificate
20. Environmental assessment review
21. Any explanatory statements
22. Sales contract
21. Construction documents (see Chapter 7 and appendices for more information):
 - a. Plans and specifications with a detailed cost estimate/breakdown of costs.
 - b. Site map with legal description of the proposed property (ies). This map should clearly indicate that the property is either on trust/restricted land or is within an Indian area.
 - c. Construction schedule and budget
 - d. Construction contract
 - e. Builders Certification, HUD Form 92541(see Appendix 5.11)
 - f. Pro Forma (projections of income and expenses)
22. Preliminary Title Report (fee simple)
23. Tribal Trust Land: A certified Title Status Report (one year or less) with the recorded leasehold instrument(s); and an executed leasehold instrument(s). (see Appendix 5.14)

5.11 IHA/TDHE OR TRIBAL ONGOING PROPERTY OWNERSHIP

Overview. Under this option, the IHA/TDHE or Tribe acts as the long-term owner and manager of the property. The IHA/TDHE or Tribe has no intention of seeking a subsequent homebuyer but will instead maintain ownership of the unit.

Submission Information. Under this option, the lender requests the case number in the name of the IHA/TDHE or Tribe and the lender submits the following information:

1. Firm commitment checklist (see Appendix 5.20)
2. Mortgage Credit Analysis Worksheet (see Appendix 5.5) (must be submitted electronically)
3. Maximum Mortgage Worksheet (single close only) (see Appendix 5.8)
4. Good Faith Estimate
5. Executed Uniform Residential Loan Application (including Addendum A) (see Appendix 5.1)
6. The Land Status and Jurisdiction form or other similar evidence that the property is within an Indian area or located on trust land. (see Appendix 5.9)
7. CAIVRS
8. Appraisal including supporting documentation as provided by the appraiser.
9. IHA/TDHE or Tribal-audited financial statements. This must include the current financial statement for the IHA/TDHE or the Tribe (the latest statement required by the HUD programs) and previous year's annual statement.
10. Demonstration of IHA/TDHE and Tribal skills and experience to successfully undertake similar development activities.
11. Assets Analysis (proving sufficient debt coverage). The IHA/TDHE or Tribe must have sufficient assets in order to reasonably assure the project debt service will be met.
12. Demonstration of Sufficient Market. For large-scale projects, demonstration of a sufficient number of households that are interested in renting. This might include IHA/TDHE waiting lists, a needs survey, or a market survey.
13. Marketing Plan. A description of the IHA/TDHE's or Tribe's plans for renting the properties. This description should cover the anticipated rental payment of the unit, and any anticipated Tribal or IHA/TDHE rental subsidy.
14. Demonstration of IHA/TDHE or Tribal skills and experience in successfully managing similar types of properties, including: rental collection; property maintenance; and tenant selection.

15. Project pro-forma demonstrating cash flow
16. A description of the IHA/TDHE's or Tribe's plans for renting and maintaining the units.
17. Evidence of Authority to Borrow. The IHA/TDHE or Tribe must provide evidence from its legal counsel (or other knowledgeable source) that it has the legal authority and capacity to become the borrower and that the IHA/TDHE or Tribe is not in bankruptcy. Typical information submitted herein includes IHA/TDHE or Tribal board resolutions to borrower, lists of signatory authorities, and applicable by-laws.
18. Evidence of Ability to Obtain Deficiency Judgments. The IHA/TDHE or Tribe must also provide evidence that there is no legal prohibition that would prevent the lender from obtaining a deficiency judgment (if permitted by state law for other types of borrowers) on HUD's behalf in the event of foreclosure.
19. Verification of Deposit/Funds to Close and Source of Funds. Bank statements/VODs are required as with individual borrowers. IHA/TDHE or Tribe must document source of funds and ability to use funds for the cash investment in the properties.
20. Credit report
21. Flood Certificate
22. Environmental Assessment
23. Any explanatory statements
24. Construction documents (see Chapter 7 for more information):
 - a. Plans and specifications with a detailed cost estimate/breakdown of costs
 - b. Site map with legal description of the proposed property(ies). This map should clearly indicate that the property is either on trust/restricted land or is within an Indian area.
 - c. Construction schedule and budget
 - d. Construction contract
 - e. Builders Certification, HUD Form 92541 (see Appendix 5.11)
25. Preliminary Title Report (Fee Simple)
26. Tribal Trust Land: certified Title Status Report (one year or less) with the recorded leasehold instrument(s); and an executed leasehold instrument(s).

5.12 IHA/TDHE OR TRIBAL MULTIPLE UNIT PROJECTS

IHA/TDHEs or Tribes, which are developing multiple home/unit projects, may not obtain more than twenty Section 184 case numbers at one time. Plans for projects exceeding twenty homes must be built in phases. As loans are guaranteed, the IHA/TDHE or Tribe may request additional loans if it can provide documentation that the properties in the first phase have rental

leases in place, the loan has been assumed, or the property has been sold to a qualified Indian family. OLG may waive this limitation.

SECTION II: LOAN PROCESSING

5.13 REQUESTING A CASE NUMBER

Timing. The lender is to request the Section 184 case number prior to ordering an appraisal so that the applicant is not subject to any expenses, in the event OLG is not able to issue a Section 184 Case number. OLG will verify that funds are available and that the subject property is in a defined Indian operating area and that funds are available.

Submission Information. Lenders must utilize the Case Number Request form in Appendix 5.6 and should ensure that the following information is provided:

1. Lender's name
2. Contact person at the lender's office, including: telephone, fax number, and email address
3. Type of loan (acquisition, rehabilitation, refinance, or construction)
4. Borrower(s) name
5. Borrower(s) tribal affiliation
6. Property address (street address or legal description)
7. Proposed mortgage amount
8. Land Status (fee, tribal, individual trust)
9. Name of the tribe with jurisdiction over the subject property should be included for all tribal trust, allotted/ individual trust, and restricted fee simple lands

Land Status and Jurisdiction form. The land status and jurisdiction form is specific to the HUD 184 Loan Program. (see Appendix 5.9) This form is used to define the location and type of land (tribal land, individual trust land, and fee simple land on or off the reservation). The form is normally completed by the Tribe or the Tribal Housing Authority. The form must be executed and submitted for all loans on:

1. Tribal trust (reservation)
2. Allotted/ individual trust (reservation)
3. Restricted fee simple (reservation)
4. Fee simple land, off reservation, where the entire state is not a designated Indian operating area for the Section 184 loan

The land status form is **not** required when the subject property is located on fee simple land, off reservation, where the entire state is a defined Indian operating area. OLG has a list of participating tribes and their defined Indian operating area. This list can be found on the section 184 program website or by contacting the OLG.

5.14 LOAN PARAMETERS

Lenders are given considerable discretion in setting loan conditions and terms, subject to the requirements established below and elsewhere in this guidebook. This section highlights mortgage criteria under the Section 184 Program.

Loan Term. Loan maturity may not exceed 30 years and must be fully amortized (balloon mortgages are not permitted).

Interest Rates. Lenders will set interest rates for guaranteed mortgages commensurate with the nature of the loan, the level of risk, and other customary factors.

The Section 184 program prohibits the use of adjustable rate or balloon mortgages.

Interest rates on Section 184 loans covering construction must remain fixed throughout the term of the loan. Since the loan is fully guaranteed, the interest rate should reflect current market rates for permanent, rather than construction financing.

Amount. The mortgage amount requested for the Section 184 firm commitment may not exceed the maximum mortgage calculated and must be within the applicant's ability to pay. The total dollar value is determined by rounding down if the dollar value is .49 or less, otherwise the amount is rounded up to the next dollar.

Payment Factors. Lenders may use a six-digit factor for the monthly principal and interest payment. A tolerance of 4 cents per 1,000 is permitted.

Mortgage Credit Analysis Worksheet. The Native American Loan Guarantee Worksheet is required for all Section 184 Mortgages. (see Appendix 5.5) (must be submitted electronically.)

5.15 MAXIMUM MORTGAGE AMOUNT

Maximum Mortgage. Mortgages are set based upon established loan-to-value criteria and the applicant's ability to pay. However all Section 184 loans are capped by these factors:

1. No mortgage may exceed 97.75% of the appraised value of the property excluding closing costs (or 98.75% if the appraised value is \$49,999 or less);
2. No mortgage may exceed 97.75% of the acquisition plus financed closing costs (or 98.75% if the acquisition is \$49,999 or less); and
3. All mortgages are capped at 150% of the FHA statutory loan limits for the county as established in March of 2008. This is the Section 184 mortgage limit. Statutory limits are available on the Section 184 website or by contacting the OLG.

Acquisition Cost. The acquisition cost is the documented sales price of the property (or the contractor's price to build as stated in the written cost estimate) plus the allowable closing costs paid by the applicant and other specific items that may be needed to close.

New Construction Completed Prior to Closing. When a lender offers interim financing and requests a HUD 184 mortgage to pay off the interim financing this should be processed as a no cash out refinance. See Chapter 11 for details on refinance loans.

Appraised Value. The appraised value is the value as determined by a certified FHA approved appraiser and is based on either a market or cost approach. The appraisal is valid for 120 days.

For loans that include rehabilitation or new construction, the value is based on the completion of the rehabilitation or the value of the home after it is constructed. For more information see Chapter 7.

Environmental. See chapter 4.11 for guidance on environmental requirements.

Determining Maximum Mortgage Amount. Lenders should calculate the maximum mortgage based on the three steps below:

Step 1: Multiply the FHA statutory mortgage limit for the county (limits as of March 2008) times 150%.

Step 2: Multiply the appraised value times 97.75% if \$50,000 or greater or times 98.75% if the appraised value is \$49,999 or less.

Step 3: Multiply the sales price times 97.75% of the acquisition cost plus financed closing costs or times 98.75% if the acquisition cost plus financed closing costs are \$49,999 or less.

The **lowest** of steps 1-3 is the maximum allowable mortgage.

The 1% loan guarantee fee, which is added to the mortgage amount, does not affect calculation of the maximum allowable mortgage.

NOTE: Alaska loan limits are provided by Section 214 of the National Housing Act. Statutory limits are available on the Section 184 website or by contacting the OLG.

Examples of the maximum mortgage calculation are found in Exhibit 5-3 for properties with an appraised value or sales price more than \$50,000 and in Exhibit 5-4 for properties less than \$50,000.

Exhibit 5-3: Determining the Maximum Mortgage Amount for Properties Over \$50,000		
Appraised value:		\$120,000
Sales price or construction cost:		110,000
Allowable closing costs:		4,000
FHA mortgage limit:		95,000
1. Section 184 mortgage limit:		\$95,000 x 150% = \$142,500
2. Loan-to-value cap based on appraised value:		\$120,000 x 97.75% = \$117,300
3. Loan-to-value cap based on acquisition cost:		
	Sales price/construction cost plus closing cost:	\$110,000 + \$4,000 = \$114,000
	Acquisition cost:	\$114,000
Loan-to-value ratio based on acquisition cost:		\$114,000 x 97.75% = \$111,435
Maximum mortgage amount (lowest of 1, 2, or 3): (without the guarantee fee)		\$111,435

Exhibit 5-4: Determining the Maximum Mortgage Amount for Properties Under \$50,000		
Appraised value:		\$45,000
Sales price or construction cost:		46,250
Allowable closing costs:		3,000
FHA mortgage limit:		95,000
1. Section 184 mortgage limit:		$\$95,000$ $\times 150\%$ $= \$142,500$
2. Loan-to-value cap based on appraised value:		$\$45,000$ $\times 98.75\%$ $= \$44,437$
3. Loan-to-value cap based on acquisition cost:		
	Sales price/construction cost plus closing cost:	$\$46,250$ $+ \$3,000$ $= \$49,250$
	Acquisition cost:	\$49,250
Loan-to-value ratio based on acquisition cost:		$\$49,250$ $\times 98.75\%$ $= \$48,634$
Maximum mortgage amount (lowest of 1, 2, or 3): (without the guarantee fee)		\$44,437

5.16 CLOSING COSTS

General. All closing costs assessed to the borrower must comply with the Real Estate Settlement Procedures Act (RESPA; 24 CFR Part 3500). RESPA information can be found at www.hud.gov. All fees charged must be for services that are actually performed and must bear a reasonable relationship to the service provided.

Financed Closing Costs. When calculating the acquisition cost, lenders may add closing costs to the sales price or contractor's price as stated in the written cost estimate. The closing costs that may be added to the sales price or the contractor's written price estimate when calculating the acquisition cost are those to be paid by the applicant. These closing costs must be typical, reasonable, and customary for the area (as determined by the OLG).

Loan Guarantee Fee. The 1% loan guarantee fee is 100 % financeable. This amount may be added directly onto the mortgage amount, paid in cash, and/or paid by the seller (up to six percent of the sales price).

Lender Paid Closing Costs. Lenders may pay the applicant's closing costs (and prepaid items). Premium pricing or discount points are acceptable provided they are in compliance with Section 32 of RESPA.

Closing costs paid in this manner cannot be added to the sales price or the contractor's written price estimate when calculating the acquisition cost and the maximum mortgage amount and must be disclosed on the HUD-1 Settlement Statement. The amount paid on the applicant's behalf for each item may not exceed the allowable fee recognized by the HUD office having jurisdiction of the area where the property is located.

Estimated Closing Costs. Lenders must comply with the provisions of RESPA and provide loan applicants with a Good Faith Estimate of settlement costs and a preliminary HUD-1 settlement statement. The estimate must contain the settlement charges that the applicant will normally pay at or before settlement based upon common practices in the locality of the mortgaged property. The estimate of closing costs used in calculating the acquisition cost and mortgage during processing and underwriting must be a reasonable reflection of actual closing costs at the time of settlement.

Truth in Lending Disclosure. The lender is required to provide a truth in lending (TIL) disclosure to the borrower three days before closing if the APR changes significantly. Pursuant to Federal law, the APR cannot increase more than .125% or a new TIL disclosure must be provided and the three day waiting period restarts.

5.17 ITEMS ADDED TO SALES PRICE OR COST TO CONSTRUCT

Repairs and improvements as well as energy-related weatherization items may be added directly to the mortgage provided the appraiser includes them in the appraisal value and the cost will be paid by the applicant (or seller based on executed sales contract).

Repairs and Improvements. The value of repairs or improvements that are required by the appraiser as essential for property eligibility and will be paid by the applicant. The appraised value will be based on the after improved value (reflecting the repairs and improvements). To be included in the financed mortgage, the sales contract or addendum to the sales contract must identify the repairs or improvements to be paid by the applicant.

The amount of repairs or improvements used to calculate the maximum mortgage is based upon the appraiser's estimate or on a contractor bid(s). Repairs completed by the applicant on the property before the appraisal is performed are not eligible.

Energy-Related Weatherization Items. If the applicant is responsible for payment of energy-related weatherization items, they may be included in the acquisition cost.

Weatherization items include thermostats, insulation, storm windows and doors, weather stripping and caulking, etc. These items may be added to the sales price **and** the appraised value up to the amounts shown below before determining the maximum mortgage amount (a contractor's statement of the cost of work completed or buyer's estimate of the cost of materials must be submitted.)

Caps on amounts include:

1. \$2,000 without a separate value determination;
2. \$3,500 if supported by a value determination by an approved appraiser or contractor; or
3. More than \$3,500 subject to a value determination and an on-site inspection made by a HUD-approved appraiser/inspector or by the lender.

An example of the maximum mortgage calculation for a property over \$50,000 with required repairs and energy-related weatherization is found in Exhibit 5-5.

Exhibit 5-5: Determining the Maximum Mortgage Amount for Properties Over \$50,000 With Required Repairs and Weatherization Items	
Appraised Value:	\$120,000
Repairs Required by the Appraiser:	\$ 1,700
Sales Price or Construction Cost:	\$110,000
Allowable Closing Costs:	\$ 4,000
Energy-Related Weatherization Items:	\$ 3,000
FHA Mortgage Limit:	\$ 95,000
1. Section 184 mortgage limit:	$\$95,000$ $\times 150\%$ $= \$142,500$
2. Loan-to-value cap based on appraised value:	$\$120,000$ $+ 3,000$ $\times 97.75\%$ $= \$120,232$
(Appraiser required repairs of \$1,700 included in \$120,000 appraised value)	
3. Loan-to-value cap based on acquisition cost:	
Sales price, closing costs, repairs, energy items:	$\$110,000$ $+ \$4,000$ $+ \$1,700$ $+ \$3,000$ $= \$118,700$
Acquisition cost:	\$118,700
Loan-to-value ratio based on acquisition cost:	$\$118,700$ $\times 97.75\%$ $= \$116,029$
Maximum mortgage amount (lowest of 1, 2, or 3):	\$116,029 (without loan guarantee)

5.18 ITEMS SUBTRACTED FROM SALES PRICE OR COST TO CONSTRUCT

Items that must be subtracted from the sales price when calculating the maximum mortgage amount include seller (or interested third party) contributions that exceed the six percent rule and inducements to purchase which result in a dollar-for-dollar reduction in the sales price. These items are discussed below.

Inducements to Purchase (Sales Concessions). Inducements to purchase include those costs that the seller pays to consummate the transaction. The value or amount of these concessions must be subtracted dollar for dollar from the sales price before the mortgage amount is computed. Inducements to purchase include: decorating allowances; moving costs; and personal property items, such as cars, boats, riding lawn mowers, furniture, televisions, given by the seller to consummate the sale. The value of the item must be subtracted from the sales price of the property and the appraised value if it has not been deducted by the appraiser.

Certain items, depending upon local custom or law, may be considered as part of the real estate transaction, with no adjustment to sales price or value necessary. Such items include ranges, refrigerators, dishwashers, washers and dryers, carpeting, and window treatments. The appraiser determines if these items affect value.

Replacement of existing equipment or other realty items, such as carpeting or air conditioners, by the seller before closing does not require a value adjustment, provided no cash allowance is given to the applicant.

Excess Rent. Excess rent credit must be subtracted dollar for dollar from the sales price before calculating the mortgage amount.

Seller Payment of Applicant's Sales Commission on Present Residence. If the applicant is purchasing a property with a mortgage to be guaranteed by OLG and is also selling his or her present residence, and the builder or seller of the property being purchased agrees to pay any portion of the applicant's sales commission on the present house, that amount must be treated as a sales concession and subtracted dollar for dollar from the sales price.

Similarly, if the applicant does not pay a real estate commission on the sale of a present home, this constitutes a sales concession if the real estate broker or agent is involved in both transactions and the seller of the property purchased by the applicant pays a real estate commission exceeding that typical for the area.

In these situations, the amount paid by the seller above the normal real estate commission is considered a sales concession and must be subtracted from the sales price of the property being purchased.

5.19 ITEMS THAT MAY NOT AFFECT MAXIMUM MORTGAGE

Seller Contributions (Financing Concessions). Seller contributions (financed concessions) are not subtracted dollar for dollar from sales price, but are limited to six percent of the contract sales price before a dollar-for-dollar reduction would be required. The normal applicant's closing costs paid by the seller (or other interested third party) are not included in the calculation of the applicant's acquisition cost. Seller contributions (or interested third party) include:

1. Payment of borrower's closing costs
2. Discount points
3. Interest rate buy downs and other payment supplements
4. Prepaid and escrow items collected at closing
5. Payments of mortgage interest (but not principal)
6. Loan guarantee fee
7. Non allowable charges (i.e., underwriting, or tax service document preparation when not paid to a third party)

Escrow Holdback. If repairs or improvements as addressed on the sales contract or appraised value cannot be completed before loan closing, the lender must establish an escrow holdback, utilizing Mortgagee's Assurance of Completion form (see Appendix 5.21), to ensure eventual completion of all required repairs. At closing, the lender must collect an amount equal to 1.5 times the cost of the repair or improvement as established by the bid from the contractor or the appraiser's cost estimate. The lender must obtain a final inspection to confirm completion of the repairs and must document payment in full for the repair/improvement.

Real Estate Transaction items. Certain items, depending upon local custom or law, may be considered as part of the real estate transaction, with no adjustment to sales price or value necessary. Such items include ranges, refrigerators, dishwashers, washers and dryers, carpeting, and window treatments. The appraiser determines if these items affect value. Replacement of existing equipment or other realty items, such as carpeting or air conditioners, by the seller before closing does not require a value adjustment, provided no cash allowance is given to the applicant.

5.20 ITEMS ADDED DIRECTLY TO THE MORTGAGE AMOUNT

Loan Guarantee Fee. A loan guarantee fee (1% of the principal obligation of the loan) must be paid at closing. This amount may be added directly onto the mortgage amount and need not be within the loan-to-value ratios.

Solar Energy System. The cost of solar energy systems may be added directly to the maximum mortgage amount without applying the LTV ratio. The statutory mortgage limit may also be exceeded by 20%, to the extent that these improvements are within the applicant's acceptable debt to income ratio.

1. The energy system's contribution to the mortgage amount is limited to the lesser of its replacement cost or its affect on the property's market value. This amount may be added directly to the mortgage.
2. Both active and passive solar systems are acceptable, as are wind-driven systems. Consult HUD Handbook 4150.1 for details. (see Appendix 5.26)

Real Estate Broker Fees. These fees may be added directly to the mortgage amount if the real estate agent or broker has been the exclusive agent of the applicant in the transaction and the following additional requirements are met. Note that services provided by the IHA/TDHE or tribe are not considered brokers' fees unless the applicant is specifically charged such a fee.

1. The amount of the fee that may be added to the mortgage is the difference between the maximum mortgage amount computed on the appraised value and

the maximum mortgage amount computed on the sales price plus or minus the required adjustments (i.e. the acquisition cost). (If the appraised value determined and the maximum mortgage or both computations yield the same maximum mortgage amount, the fee has no effect on the maximum mortgage and cannot be added.)

2. The buyer-broker agreement should be submitted with the application.

Any portion of the commission or fee that is not eligible for inclusion in the mortgage amount is considered as funds required for closing.

Any portion paid by the seller is not considered a sales concession or an inducement to purchase nor part of the six percent limitation provided that the seller is paying only the normal sales commission typical of that market. In such cases, the lender must obtain a copy of the original listing agreement to determine if the seller paid a sales commission separately inclusive of the buyer-broker fee.

5.21 LAND VALUE

Land acquisition costs are also considered a component of the total cost to acquire or construct a property. If the applicant already owns this land, it may be used as a portion of the applicant's investment in the property. See Paragraph 5.9 for more information.

Fee Simple Land. On fee simple land, appraisers should undertake a standard analysis of the property value, including estimating the value of the land. The value of the land is stated in the appraisal report.

Allotted Trust Land. The cost approach is often the primary indication of value due to the unique nature of the reservation setting. The value of the land is stated in the appraisal report. Lenders and appraisals should refer to HUD Handbook 4150.2 (see Chapter 4.9) for additional guidance in determining the exact methods of appraisal for allotted trust land. A copy of the handbook can be obtained at: www.hud.gov

Tribal Trust land. The cost approach is often the primary indication of value due to the unique nature of the reservation setting. No value is given to the land due to the leasehold interest that is established prior to loan approval. Lenders and appraisers should refer to HUD Handbook 4150.2 (see Chapter 4.9) for additional guidance in determining the exact methods of appraisal for allotted trust land. A copy of the handbook can be obtained at: www.hud.gov

5.22 TRANSACTIONS AFFECTING MAXIMUM MORTGAGE

Certain types of loan transactions affect the amount of financing otherwise available and the calculation of the maximum mortgage. This section details those circumstances.

Identity-of-Interest Transactions. Identity-of-interest transactions are usually restricted to a maximum loan-to-value ratio of 85%. Identity of interest is defined as a transaction between family members, business partners, or other business affiliates.

However, the maximum Section 184 Program loan-to-value ratio (see Paragraph 5.15) is permissible under the following identity-of-interest circumstances:

1. A family member purchasing another family member's principal residence or unimproved land for development under the Program.
2. An employee of a builder purchasing one of the builder's new homes or models as a principal residence.
3. A current tenant purchasing the property that he or she has rented for at least 6 months predating the sales contract. A lease or other written evidence must be submitted verifying occupancy.
4. Sales by corporations that transfer employees out of an area, purchase the transferred employee's home, and then resell the residence to another employee.

If a property being sold from one family member to another is the seller's investment property, and it is being sold under its appraised value, the maximum mortgage is the lesser of: 85% of the sum of the appraised value or 97.75% or 98.75% LTV computation applied to the applicant's acquisition cost.

Non-occupying Co-borrowers and Co-Signers. When there are two or more applicants, but one or more will not occupy the property as a principal residence, the maximum mortgage is usually limited to a 75% loan-to-value ratio. However, use of the standard Section 184 Program loan-to-value ratio is available for applicants related by blood (e.g., parent-child, siblings, aunts-uncles/nieces-nephews), or for unrelated individuals who can document evidence of a family-type, longstanding and substantial relationship not arising out of the loan transaction.

OLG does not object to legitimate transactions where the non-occupant applicant assists in the financing of the property, such as when parents help their children buy their first home (one unit properties only). This arrangement may not be used by non-occupant applicants to acquire rental properties. The degree of financial contribution by the non-occupant applicant, and the number of properties similarly owned may indicate that an investor loan has become the practical reality and that, in effect, family members are acting as "straw buyers."

A borrower may only have one Section 184 mortgage at a time; therefore an applicant that already has a Section 184 mortgage may not act as a non-occupying co-borrower or co-signor.

The occupying borrower must meet program eligibility requirements (verification of enrollment in a federally recognized Tribe) and must demonstrate a financial and credit contribution to the loan transaction.

The non-occupying co-borrower may not have a high ratio (90% or more) government insured or guaranteed loan.

Three- and Four-Unit Properties. The rental income from all units must be equal to or greater than the monthly mortgage payment.

1. Net rental income is the appraiser's estimate of fair market rent from all units (including the unit chosen by the applicant for occupancy) less the allowance for vacancies and maintenance set by the local HUD office.
2. The monthly payment is defined as principal, interest, taxes, and insurance (PITI), as well as any homeowners' association dues, computed at the note rate (no consideration for buy downs may be given).

3. The above calculation is used only to determine the maximum loan amount. Applicants must still qualify for the mortgage based on income, credit, cash to close, and the projected rents received from the remaining units.
4. The applicant must have a reserve of three months' mortgage payments (PITI) after closing.

Building on Own Land or Acting as the General Contractor. A homebuyer can use equity, which they have created in the past (e.g. built the foundation or the on-site infrastructure), if the appraisal supports its value.

1. If the applicant is having a house built on land already owned or being acquired separately, the standard Section 184 Program loan-to-value ratio (see Paragraph 5.15) may be used if the applicant receives no cash from the settlement. The lender must condition its approval to ensure cash is not received at closing.
2. The appropriate loan-to-value limit (97.75% or 98.75%) is applied to the lesser of:
 - a. The appraised value
 - b. The documented acquisition cost of the property, which includes:
 - The builder's price or the sum of all subcontractors' expenses, such as bids and materials.
 - The cost of the land (where applicable). If the land has been owned for more than six months or was received as an acceptable gift, the value of the land may be used instead of its cost.
 - c. The allowable closing costs

Where applicable, equity in the land (value or cost, as appropriate, minus the amount owed) may be used for the applicant's entire cash investment. However, the applicant may not receive more than minimal cash at closing (\$250 or less). Thus, the mortgage may never exceed the total acquisition cost of the property. (Replenishment of the applicant's own cash expended during construction is not considered as "cash back," provided the applicant can provide cancelled checks and paid receipts for all out-of-pocket funds used during construction.)

Inspection/Warranty Requirements. All new construction must be inspected using one of the two procedures listed below.

1. In cases where a building permit and a certificate of occupancy (or its equivalent) are issued by a local jurisdiction that performs a minimum of three inspections (typically the footing, framing, and final inspections) neither an Early Start Letter nor a HUD approved ten-year warranty plan is required.
2. For those jurisdictions that do not issue a building permit (or its equivalent) prior to construction and a Certificate of Occupancy (or its equivalent) upon completion of construction, a property that is one year old or less must have either an Early Start Letter (with a minimum of three inspections by an FHA Roster Inspector) or be covered by a HUD-approved ten-year warranty plan (with a final inspection by a FHA Roster Inspector) to be eligible for high-ratio mortgage insurance.

5.23 UNDERWRITING AND FIRM COMMITMENT SUBMISSION

The Director of the Office of Loan Guarantee, or the designee, in the OLG, acts as the Chief Underwriter for all Section 184 loans. Upon receipt of this package, the Department will:

1. Ensure that all necessary information has been included in the package. OLG reserves the right to return incomplete packages (see Firm Commitment Checklist).
2. Review the stated loan terms and conditions for compliance with the various Section 184 Program requirements.
3. Compare the loan conditions to the applicant's income and asset information.
4. Determine whether this loan is a good investment, given prudent underwriting criteria.
5. Issue a firm commitment to the lender if the mortgage meets the Section 184 Program underwriting criteria.

The Department will use the following two criteria to review this package: (1) Prospect of repayment; (2) Property and loan value.

Closing the Loan. Lenders may not close loans with the loan guarantee until they have received a firm commitment from the OLG authorizing and approving a loan closing (unless the lender is a Direct Guarantee lender — See Chapter 10). Lenders who close the loan or allow construction to begin before receipt of the firm commitment, run the risk that the OLG may find errors and therefore reject the loan and not issue the loan guarantee certification. Any funds already spent on the rejected project will not be guaranteed.

Items. The items listed below must be included in the lender's submission of the firm commitment package. All forms must be in a case binder and stacked accordingly.

1. **Lender Submission Contact Sheet** (see [Appendix 5.28](#))
2. **Firm Commitment Submission Checklist** (see [Appendix 5.7](#))
3. **Case Number Request Form** (see [Appendix 5.6](#))
4. **Completed Mortgage Credit Analysis Worksheet Form** (see [Appendix 5.5](#)) (must be submitted electronically.)
5. **Maximum Mortgage Worksheet for Single Close (Single Close Only)** (see [appendix 5.8](#))
6. **Good Faith Estimate and preliminary HUD 1 settlement statement**
7. **Uniform Residential Loan Application/Addendum A** (initial signed and dated by all applicants and the lender and the addendum to the URLA) (see [Appendix 5.1](#))
8. **Uniform Residential Loan Application/Addendum A** (final/unsigned). (see [Appendix 5.1](#))
9. **Land Status and Jurisdiction Form-** Lenders must submit evidence that a particular location has been selected and should indicate the status of this land (i.e., tribal trust, allotted, or fee simple) and the court of jurisdiction. Fee simple land must be located in a designated Indian operating area and must be certified by the tribe. Lenders may use the form found at [Appendix 5.9](#) or any other acceptable documentation of land status.
10. **Sales Contract-** (for existing structures or acquisition of land) any amendments or other agreements and certifications. Either an original or a certified true copy

of the ratified sales contract received by the lender is required. The Real Estate Certification (for existing structures or acquisition of land) signed by the buyer, seller, and selling real estate agent or broker must also be submitted (as applicable).

11. **Appraisal Report (URAR Form 92800)**
12. **Termite Inspection Report** (termite states)
13. **Applicant Native American ID-** Applicant is an enrolled member of a federally recognized tribe. Tribal membership cards are a common method of proof. Also, BIA uses a form entitled "Request for Certificate of Indian Blood" which lenders can send to the local BIA agency and obtain verification. Lenders may also accept alternate forms of identification.
14. **Social Security Evidence-** A copy of the actual social security card is not required. The Social Security Number can be obtained from such documents as pay stubs or the driver's license.
15. **Credit Report-** on all applicants that will be obligated on the mortgage note. Lenders may accept a three repository merged credit report instead of the more comprehensive residential mortgage credit report. Lenders must use credit repositories that are able to report both credit and public records information for each locality that the applicant lived in during the past 2-year period. See paragraph 5.4 for more information.
16. **W-2's, Most Recent Pay Stubs or a Verification of Employment-** The lender must obtain from the applicant pay stubs covering the most recent 30-day period, along with copies of the previous 2 years' IRS W-2 forms, or a completed written Verification of Employment (VOE) directly from the employer with a copy of the most recent paystub. At a minimum, the pay stub must clearly show the applicant's name, social security number, and year-to-date earnings. The lender must also verify by telephone current employment with the name, title, and telephone number of the person with whom employment was verified. If the applicant files tax returns, the lender must also obtain a signed copy of IRS form 4506T, verification of reported income directly from IRS, along with the IRS transcript, if any undisclosed income or loss, or inconsistency found on the IRS report.
17. **Federal Income Tax Returns with all schedules (self employed applicants)-** Signed copies of individual returns with all applicable schedules and signed copies of federal business income tax returns with all applicable schedules. If the business is a corporation, an "S" corporation, or a partnership the income tax return for the business must be submitted. See Paragraph 5.6. Year-to-date profit-and-loss and balance statements for all business entities are required, with evidence of quarterly tax payments. must also be provided. Commissioned individuals must provide individual federal income tax returns for the past two years. The lender must also obtain a signed form IRS 4506, IRS 8821, or whatever form is appropriate for obtaining tax returns directly from the Internal Revenue Service for any loan where the applicant's tax returns are required. The lender may use an electronic retrieval but cannot charge the applicant for this service.
18. **Verification of Deposit and Most Recent Bank Statements-** The lender must obtain from the applicant a copy of the most recent three months of bank statements. Provided the bank statement shows the previous month's ending balance, this requirement is met by obtaining the two most recent consecutive statements. Alternately, lenders may obtain a written Verification of Deposit

(VOD) directly from the depositor and a copy of the most recent bank statement. Satisfactory electronic copies of the bank statements are now acceptable.

19. **12 Month Verification of Prior Payment History-** of previous mortgages or any other recurring housing payments including rental payments. This may be in the form of a verification of mortgage including payment history, verification of rent obtained directly from the landlord or 12 months of cancelled checks. Such verification is not required for any mortgage reported on the credit report.
20. **CAIVRS**
21. **Limited Denial of Participation(LDP)/Excluded Parties List System (GSA-ELPS)** for all parties to the transaction
22. **Home Inspection Documentation**
23. **Lead Based Paint Addendum** (if appropriate)
24. **Flood Certificate**
25. **Environmental Review-** is mandatory on all trust transactions; appraiser comments are acceptable on fee simple. (see Appendix 5.29)
26. **Gift Letter** or other documentation on source of funds if other than on deposit
27. **Letters of explanation on Derogatory Credit-** must be provided by the applicant or additional documentation necessary to make a sound underwriting decision must be provided by the lender.

In addition to the above items, the following are required based on construction and/or land status:

- A. **New Construction** (when lender requests OLG approval prior to doing the interim construction loan):
 1. Detailed plans and specifications including description of materials
 2. Signed contractor cost estimate(s) including name, address and phone number of builder
 3. Well/septic- If well/septic is to be installed by Indian Health Service, provide letter showing amount and/or no cost
 4. Site map and legal description
 5. Breakdown of construction costs
 6. Builders certification form (HUD-92541) (see Appendix 5.11)
- B. **Properties on Fee Simple Land:**
 1. Preliminary title report
- C. **Properties Located on Tribal Trust Land:**
 1. Certified title status report (1 year or less) from the Bureau of Indian Affairs with recorded lease
 2. Executed leasehold instrument (with all signatures as required) and/or resolution stating lease to be executed at closing. (see Appendix 5.14)
- D. **Properties Located on Individual Allotted Trust Land** (no lease):
 1. Certified Title Status Report (6 months or less) from the Bureau of Indian Affairs (including consent to mortgage from all owners if fractionated)

2. BIA Approval of Mortgage prior to closing

E. Properties Located on Individual Allotted Trust Land (with lease)

1. Certified Title Status Report (6 months or less) from the Bureau of Indian Affairs (including consent to mortgage from all owners if fractionated)
2. Leasehold instrument (with all signatures as required). Lender should consult with OLG when a lease is being used on individual allotted trust land. (see Appendix 5.14)

HUD/VA Addendum to Uniform Residential Loan Application

OMB Approval No. VA: 2900-0144
HUD: 2502-0059 (exp 11/30/2010)

Part I - Identifying Information (mark the type of application)		2. Agency Case No. (include any suffix)		3. Lender's Case No.		4. Section of the Act (for HUD cases)	
1. <input type="checkbox"/> VA Application for Home Loan Guaranty <input type="checkbox"/> HUD/FHA Application for Insurance under the National Housing Act							
5. Borrower's Name & Present Address (Include zip code)		7. Loan Amount (include the UFMIP if for HUD or Funding Fee if for VA) \$		8. Interest Rate %		9. Proposed Maturity yrs. mos.	
		10. Discount Amount (only if borrower is permitted to pay) \$		11. Amount of Up Front Premium \$		12a. Amount of Monthly Premium / mo.	
						12b. Term of Monthly Premium months	
6. Property Address (including name of subdivision, lot & block no. & zip code)		13. Lender's I.D. Code		14. Sponsor / Agent I.D. Code			
15. Lender's Name & Address (include zip code)		16. Name & Address of Sponsor / Agent					
		17. Lender's Telephone Number					

Type or Print all entries clearly

VA: The veteran and the lender hereby apply to the Secretary of Veterans Affairs for Guaranty of the loan described here under Section 3710, Chapter 37, Title 38, United States Code, to the full extent permitted by the veteran's entitlement and severally agree that the Regulations promulgated pursuant to Chapter 37, and in effect on the date of the loan shall govern the rights, duties, and liabilities of the parties.

18. First Time Homebuyer? a. <input type="checkbox"/> Yes b. <input type="checkbox"/> No		19. VA Only Title will be Vested in: <input type="checkbox"/> Veteran <input type="checkbox"/> Veteran & Spouse <input type="checkbox"/> Other (specify)		20. Purpose of Loan (blocks 9 - 12 are for VA loans only)	
				1) <input type="checkbox"/> Purchase Existing Home Previously Occupied	
				2) <input type="checkbox"/> Finance Improvements to Existing Property	
				3) <input type="checkbox"/> Refinance (Refi.)	
				4) <input type="checkbox"/> Purchase New Condo. Unit	
				5) <input type="checkbox"/> Purchase Existing Condo. Unit	
				6) <input type="checkbox"/> Purchase Existing Home Not Previously Occupied	
				7) <input type="checkbox"/> Construct Home (proceeds to be paid out during construction)	
				8) <input type="checkbox"/> Finance Co-op Purchase	
				9) <input type="checkbox"/> Purchase Permanently Sited Manufactured Home	
				10) <input type="checkbox"/> Purchase Permanently Sited Manufactured Home & Lot	
				11) <input type="checkbox"/> Refi. Permanently Sited Manufactured Home to Buy Lot	
				12) <input type="checkbox"/> Refi. Permanently Sited Manufactured Home/Lot Loan	

Part II - Lender's Certification

21. The undersigned lender makes the following certifications to induce the Department of Veterans Affairs to issue a certificate of commitment to guarantee the subject loan or a Loan Guaranty Certificate under Title 38, U.S. Code, or to induce the Department of Housing and Urban Development - Federal Housing Commissioner to issue a firm commitment for mortgage insurance or a Mortgage Insurance Certificate under the National Housing Act.

- A. The loan terms furnished in the Uniform Residential Loan Application and this Addendum are true, accurate and complete.
- B. The information contained in the Uniform Residential Loan Application and this Addendum was obtained directly from the borrower by an employee of the undersigned lender or its duly authorized agent and is true to the best of the lender's knowledge and belief.
- C. The credit report submitted on the subject borrower (and co-borrower, if any) was ordered by the undersigned lender or its duly authorized agent directly from the credit bureau which prepared the report and was received directly from said credit bureau.
- D. The verification of employment and verification of deposits were requested and received by the lender or its duly authorized agent without passing through the hands of any third persons and are true to the best of the lender's knowledge and belief.

Items "H" through "J" are to be completed as applicable for VA loans only.

- H. The names and functions of any duly authorized agents who developed on behalf of the lender any of the information or supporting credit data submitted are as follows:

Name & Address

Function (e.g., obtained information on the Uniform Residential Loan Application, ordered credit report, verifications of employment, deposits, etc.)

- I. If no agent is shown above, the undersigned lender affirmatively certifies that all information and supporting credit data were obtained directly by the lender. The undersigned lender understands and agrees that it is responsible for the omissions, errors, or acts of agents identified in item H as to the functions with which they are identified.

- J. The proposed loan conforms otherwise with the applicable provisions of Title 38, U.S. Code, and of the regulations concerning guaranty or insurance of loans to veterans.

Signature of Officer of Lender	Title of Officer of Lender	Date (mm/dd/yyyy)
--------------------------------	----------------------------	-------------------

Part III - Notices to Borrowers. Public reporting burden for this collection of information is estimated to average 6 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless that collection displays a valid OMB control number can be located on the OMB Internet page at http://www.whitehouse.gov/omb/library/OMB/INVENTORY/AGENCIES.html#LIST_OF_AGENCIES. **Privacy Act Information.** The information requested on the Uniform Residential Loan Application and this Addendum is authorized by 38 U.S.C. 3710 (if for DVA) and 12 U.S.C. 1701 et seq. (if for HUD/FHA). The Debt Collection Act of 1982, Pub. Law 97-365, and HUD's Housing and Community Development Act of 1987, 42 U.S.C. 3543, require persons applying for a federally insured or guaranteed loan to furnish his/her social security number (SSN). You must provide all the requested information, including your SSN. HUD and/or VA may conduct a computer match to verify the information you provide. HUD and/or VA may disclose certain information to Federal, State and local agencies when relevant to civil, criminal, or regulatory investigations and prosecutions. It will not otherwise be disclosed or released outside of HUD or VA, except as required and permitted by law. The information will be used to determine whether you qualify as a mortgagor. Any disclosure of information outside VA or HUD/FHA will be made only as permitted by law. Failure to provide any of the requested information, including SSN, may

result in disapproval of your loan application. This is notice to you as required by the Right to Financial Privacy Act of 1978 that VA or HUD/FHA has a right of access to financial records held by financial institutions in connection with the consideration or administration of assistance to you. Financial records involving your transaction will be available to VA and HUD/FHA without further notice or authorization but will not be disclosed or released by this institution to another Government Agency or Department without your consent except as required or permitted by law. Caution. Delinquencies, defaults, foreclosures and abuses of mortgage loans involving programs of the Federal Government can be costly and detrimental to your credit, now and in the future. The lender in this transaction, its agents and assigns as well as the Federal Government, its agencies, agents and assigns, are authorized to take any and all of the following actions in the event loan payments become delinquent on the mortgage loan described in the attached application: (1) Report your name and account information to a credit bureau; (2) Assess additional interest and penalty charges for the period of time that payment is not made; (3) Assess charges to cover additional administrative costs incurred by the Government to service your account; (4) Offset amounts owed to you under other Federal programs; (5) Refer your account to a private attorney, collection agency or mortgage servicing agency to collect the amount due, foreclose the mortgage, sell the property and seek judgment against you for any deficiency; (6) Refer your account to the Department of Justice for litigation in the courts; (7) If you are a current or retired Federal employee, take action to offset your salary, or civil service retirement benefits; (8) Refer your debt to the Internal Revenue Service for offset against any amount owed to you as an income tax refund; and (9) Report any resulting written-off debt of yours to the Internal Revenue Service as your taxable income. All of these actions can and will be used to recover any debts owed when it is determined to be in the interest of the lender and/or the Federal Government to do so.

Part IV - Borrower Consent for Social Security Administration to Verify Social Security Number

I authorize the Social Security Administration to verify my Social Security number to the Lender identified in this document and HUD/FHA, through a computer match conducted by HUD/FHA.

I understand that my consent allows no additional information from my Social Security records to be provided to the Lender, and HUD/FHA and that verification of my Social Security number does not constitute confirmation of my identity. I also understand that my Social Security number may not be used for any other purpose than the one stated above, including resale or redisclosure to other parties. The only other redisclosure permitted by this authorization is for review purposes to ensure that HUD/FHA complies with SSA's consent requirements.

I am the individual to whom the Social Security number was issued or that person's legal guardian. I declare and affirm under the penalty of perjury that the information contained herein is true and correct. I know that if I make any representation that I know is false to obtain information from Social Security records, I could be punished by a fine or imprisonment or both.

This consent is valid for 180 days from the date signed, unless indicated otherwise by the individual(s) named in this loan application.

Read consent carefully. Review accuracy of social security number(s) and birth dates provided on this application.

Signature(s) of Borrower(s)

Date Signed

//

Signature(s) of Co - Borrower(s)

Date Signed

//

Part V - Borrower Certification

22. Complete the following for a HUD/FHA Mortgage .

22a. Do you own or have you sold **other** real estate within the ☐ Yes ☐ No past 60 months on which there was a HUD/FHA mortgage?

Is it to be sold?

☐ Yes ☐ No

22b. Sales Price

\$

22c. Original Mortgage Amt

\$

22d. Address

22e. If the dwelling to be covered by this mortgage is to be rented, is it a part of, adjacent or contiguous to any project subdivision or group of concentrated rental properties involving eight or more dwelling units in which you have any financial interest? ☐ Yes ☐ No If "Yes" give details.

22f. Do you own more than four dwellings? ☐ Yes ☐ No If "Yes" submit form HUD-92561.

23. Complete for VA-Guaranteed Mortgage . Have you ever had a VA home Loan? ☐ Yes ☐ No

24. **Applicable for Both VA & HUD.** As a home loan borrower, you will be legally obligated to make the mortgage payments called for by your mortgage loan contract. The fact that you dispose of your property after the loan has been made **will not relieve you of liability for making these payments. Payment of the loan in full is ordinarily the way liability on a mortgage note is ended.** Some home buyers have the mistaken impression that if they sell their homes when they move to another locality, or dispose of it for any other reasons, they are no longer liable for the mortgage payments and that liability for these payments is solely that of the new owners. Even though the new owners may agree in writing to assume liability for your mortgage payments, this assumption agreement will not relieve you from liability to the holder of the note which you signed when you obtained the loan to buy the property. Unless you are able to sell the property to a buyer who is acceptable to VA or to HUD/FHA and who will assume the payment of your obligation to the lender, you will not be relieved from liability to repay any claim which VA or HUD/FHA may be required to pay your lender on account of default in your loan payments. **The amount of any such claim payment will be a debt owed by you to the Federal Government.** This debt will be the object of established collection procedures.

25. I, the Undersigned Borrower(s) Certify that:

(1) I have read and understand the foregoing concerning my liability on the loan and Part III Notices to Borrowers.

(2) **Occupancy:** (for VA only -- mark the applicable box)

☐ (a) I now actually occupy the above-described property as my home or intend to move into and occupy said property as my home within a reasonable period of time or intend to reoccupy it after the completion of major alterations, repairs or improvements.

☐ (b) My spouse is on active military duty and in his or her absence, I occupy or intend to occupy the property securing this loan as my home.

☐ (c) I previously occupied the property securing this loan as my home. (for interest rate reductions)

☐ (d) While my spouse was on active military duty and unable to occupy the property securing this loan, I previously occupied the property that is securing this loan as my home. (for interest rate reduction loans)

Note: If box 2b or 2d is checked, the veteran's spouse must also sign below.

(3) Mark the applicable box (not applicable for Home Improvement or Refinancing Loan) I have been informed that (\$) is:

☐ the reasonable value of the property as determined by VA or;

☐ the statement of appraised value as determined by HUD / FHA.

Note: If the contract price or cost exceeds the VA "Reasonable Value" or HUD/FHA "Statement of Appraised Value", mark either item (a) or item (b), whichever is applicable.

☐ (a) I was aware of this valuation when I signed my contract and I have paid or will pay in cash from my own resources at or prior to loan closing a sum equal to the difference between the contract purchase price or cost and the VA or HUD/FHA established value. I do not and will not have outstanding after loan closing any unpaid contractual obligation on account of such cash payment;

☐ (b) I was not aware of this valuation when I signed my contract but have elected to complete the transaction at the contract purchase price or cost. I have paid or will pay in cash from my own resources at or prior to loan closing a sum equal to the difference between contract purchase price or cost and the VA or HUD/FHA established value. I do not and will not have outstanding after loan closing any unpaid contractual obligation on account of such cash payment.

(4) Neither I, nor anyone authorized to act for me, will refuse to sell or rent, after the making of a bona fide offer, or refuse to negotiate for the sale or rental of, or otherwise make unavailable or deny the dwelling or property covered by his/her loan to any person because of race, color, religion, sex, handicap, familial status or national origin. I recognize that any restrictive covenant on this property relating to race, color, religion, sex, handicap, familial status or national origin is illegal and void and civil action for preventive relief may be brought by the Attorney General of the United States in any appropriate U.S. District Court against any person responsible for the violation of the applicable law.

(5) All information in this application is given for the purpose of obtaining a loan to be insured under the National Housing Act or guaranteed by the Department of Veterans Affairs and the information in the Uniform Residential Loan Application and this Addendum is true and complete to the best of my knowledge and belief. Verification may be obtained from any source named herein.

(6) **For HUD Only** (for properties constructed prior to 1978) I have received information on lead paint poisoning. ☐ Yes ☐ Not Applicable

(7) **I am aware that neither HUD / FHA nor VA warrants the condition or value of the property**

Signature(s) of Borrower(s) -- **Do not sign** unless this application is fully completed. Read the certifications carefully & review accuracy of this application.

Signature(s) of Borrower(s)

Date Signed

//

Signature(s) of Co - Borrower(s)

Date Signed

//

(Borrowers Must Sign Both Parts IV & V) Federal statutes provide severe penalties for any fraud, intentional misrepresentation, or criminal connivance or conspiracy purposed to influence the issuance of any guaranty or insurance by the VA Secretary or the HUD/FHA Commissioner.

Direct Endorsement Approval for a HUD/FHA-Insured Mortgage

U.S. Department of Housing
and Urban Development

Part I - Identifying Information (mark the type of application)

1. <input type="checkbox"/> HUD/FHA Application for Insurance under the National Housing Act		2. Agency Case No. (include any suffix)		3. Lender's Case No.		4. Section of the Act (for HUD cases)	
5. Borrower's Name & Present Address (Include zip code)				7. Loan Amount (include the UFMIP) \$		8. Interest Rate %	
				9. Proposed Maturity yrs. mos.			
				10. Discount Amount (only if borrower is permitted to pay) \$		11. Amount of Up Front Premium \$	
6. Property Address (including name of subdivision, lot & block no. & zip code)				12b. Term of Monthly Premium months			
				13. Lender's I.D. Code		14. Sponsor / Agent I.D. Code	
15. Lender's Name & Address (include zip code)				16. Name & Address of Sponsor / Agent			
<div style="border: 1px solid black; height: 100px; width: 100%;"></div> <p>Type or Print all entries clearly</p>				17. Lender's Telephone Number			

☐ **Approved:** Approved subject to the additional conditions stated below, if any.

Date Mortgage Approved _____

Date Approval Expires _____

<input type="checkbox"/> Modified & Approved as follows:	Loan Amount (include UFMIP) \$	Interest Rate %	Proposed Maturity Yrs. Mos	Monthly Payment \$	Amount of Up Front Premium \$	Amount of Monthly Premium \$	Term of Monthly Premium months
---	-----------------------------------	--------------------	-------------------------------	-----------------------	----------------------------------	---------------------------------	-----------------------------------

Additional Conditions:

- ☐ If this is proposed construction, the builder has certified compliance with HUD requirements on form HUD-92541.
- ☐ If this is new construction, the lender certifies that the property is 100% complete (both on site and off site improvements) **and** the property meets HUD's minimum property standards and local building codes.
- ☐ Form HUD-92544, Builder's Warranty is required.
- ☐ The property has a 10-year warranty.
- ☐ Owner-Occupancy **Not** required (item (b) of the Borrower's Certificate does not apply).
- ☐ The mortgage is a high loan-to-value ratio for non-occupant mortgagor in military.
- ☐ Other: (specify) _____

☐ This mortgage was rated as an "accept" or "approve" by FHA's Total Mortgage Scorecard. As such, the undersigned representative of the mortgagee certifies to the integrity of the data supplied by the lender used to determine the quality of the loan, that a Direct Endorsement Underwriter reviewed the appraisal (if applicable) and further certifies that this mortgage is eligible for HUD mortgage insurance under the Direct Endorsement program. I hereby make all certifications required for this mortgage as set forth in HUD Handbook 4000.4

Mortgagee Representative _____

☐ This mortgage was rated as a "refer" by a FHA's Total Mortgage Scorecard, and/or was manually underwritten by a Direct Endorsement underwriter. As such, the undersigned Direct Endorsement underwriter certifies that I have personally reviewed the appraisal report (if applicable), credit application, and all associated documents and have used due diligence in underwriting this mortgage. I find that this mortgage is eligible for HUD mortgage insurance under the Direct Endorsement program and I hereby make all certifications required for this mortgage as set forth in HUD Handbook 4000.4

Direct Endorsement Underwriter _____ DE's CHUMS ID Number _____

The Mortgagee, its owners, officers, employees or directors ☐ do ☐ do not have a financial interest in or a relationship, by affiliation or ownership, with the builder or seller involved in this transaction.

Borrower's Certificate:

The undersigned certifies that:

- (a) I will not have outstanding any other unpaid obligations contracted in connection with the mortgage transaction or the purchase of the said property except obligations which are secured by property or collateral owned by me independently of the said mortgaged property, or obligations approved by the Commissioner;
- (b) One of the undersigned intends to occupy the subject property, (note: this item does not apply if owner-occupancy is not required by the commitment);
- (c) All charges and fees collected from me as shown in the settlement statement have been paid by my own funds, and no other charges have been or will be paid by me in respect to this transaction;
- (d) Neither I, nor anyone authorized to act for me, will refuse to sell or rent, after the making of a bona fide offer, or refuse to negotiate for the sale or rental of or otherwise make unavailable or deny the dwelling or property covered by this loan to any person because of race, color, religion, sex, handicap, familial status or national origin. I recognize that any restrictive covenant on this property relating to race, color, religion, sex, handicap, familial status or national origin is illegal and void and any such covenant is hereby specifically disclaimed. I understand that civil action for preventative relief may be brought by the Attorney General of the United States in any appropriate U.S. District Court against any person responsible for a violation of this certificate.

Borrower(s) Signature(s) & Date

Lender's Certificate:

The undersigned certifies that to the best of its knowledge:

- (a) The statements made in its application for insurance and in this Certificate are true and correct;
- (b) The conditions listed above or appearing in any outstanding commitment issued under the above case number have been fulfilled;
- (c) Complete disbursement of the loan has been made to the borrower, or to his/her creditors for his/her account and with his/her consent;
- (d) The security instrument has been recorded and is a good and valid first lien on the property described;
- (e) No charge has been made to or paid by the borrower except as permitted under HUD regulations;
- (f) The copies of the credit and security instruments which are submitted herewith are true and exact copies as executed and filed for record;
- (g) It has not paid any kickbacks, fee or consideration of any type, directly or indirectly, to any party in connection with this transaction except as permitted under HUD regulations and administrative instructions.

I, the undersigned, as authorized representative of _____, mortgagee at this time of closing of this mortgage loan, certify that I have personally reviewed the mortgage loan documents, closing statements, application for insurance endorsement, and all accompanying documents. I hereby make all certifications required for this mortgage as set forth in HUD Handbook 4000.4.

Lender's Name		Note: If the approval is executed by an agent in the name of lender, the agent must enter the lender's code number and type.	
Title of Lender's Officer			
Signature of Lender's Officer	Date	Code Number (5 digits)	Type

Mortgage Credit Analysis Worksheet

U.S Department of Housing and Urban Development

Draft Form for
Evaluation 3/31/2011

Native American Loan Guarantee Program

See the Public Reporting Burden and Privacy Act statements on back

Acquisition of Property Transactions

Section 184 Case Number			Type of Construction (mark with X)	
			a. Existing Construction	X
			b. Proposed New Construction	
1a. Borrower's Name	2a. Social Security #	3. Dependents	4. Marital Status (mark with X)	
		a.Numbers b.Ages	a. Married	
1b. Co-borrower's Name	2b. Social Security #		b. Separated	
			c. Unmarried	
5. Mortgage without LG Fee	6a. Total LG Fee (1% of max. mortgage)	6b. Mortgage w/LG Fee	7. Loan Closing Costs	
\$0.00	\$0.00	\$0.00	a. Total Closing Costs	\$0.00
			b. Less paid by Seller	\$0.00
8. Current housing expense	9. Term of loan (years)	10. Interest rate (%)	c. Borrower's Closing Cost	
\$0.00	0	0.000%	\$0.00	
11. First-time homebuyer (yes or no)		12. Appraised Value	13. 150% of FHA Mortgage Limit	
		\$0.00	\$0.00	
14. Settlement Requirements/ Mortgage Calculations			16. Debts and Obligations	Monthly Payment
				Unpaid Balance
a. Contract Sales Price or Construction Cost		\$0.00	a. Total installment debt	\$0.00
b. Repairs and Improvements		\$0.00	b. Child support, etc.	\$0.00
c. Borrower's - paid Closing Costs (from line 7c)		\$0.00	c. Other	\$0.00
d. Sales Concession (subtract this amount)		\$0.00	d. Total monthly payments	\$0.00
e. Acquisition costs (sum of lines 14a + b + c - d)		\$0.00	17. Future monthly payments	
f. Multiply Acquisition cost (line 14e) by 0.9775 if greater than \$50,000 0.9875 if \$50,000 or less		\$0.00	a. Principal & Interest - 1st mortgage	#DIV/0!
			b. Homeowner's Association Fee	\$0.00
			c. Ground rent	\$0.00
g. Max Mortgage w/out LG Fee (lowest of 13,14f, or 18b)		\$0.00	d. Principal & Interest - 2nd mortgage	\$0.00
h. Mortgage Amount (w/out LG Fee NOT To Exceed 14g)		\$0	e. Hazard insurance	\$0.00
i. Required investment (line 14e - line 14h)		\$0.00	f. Taxes & special assessments	\$0.00
j. Discounts		\$0.00	g. Total mortgage payments	#DIV/0!
k. Prepayable expenses		\$0.00	h. Recurring expenses (from line 16d)	\$0.00
l. LG Fee paid in cash (Add LG Fee cents)		\$0.00	i. Total fixed payments	#DIV/0!
m. Non-realty / other items (explain below)		\$0.00	18. Ratios / Residual Income	
n. Total requirements (sum of line 14h thru line 14l)		\$0.00	a. Loan - to - Value (line 14g ÷ line 12)	#DIV/0!
o. Amount paid in cash or other (explain)		\$0.00	b. Value (line 12) x 0.9775 if > \$50,000 or (line 12) x 0.9875 if < \$50,000	\$0
p. Amnt. to be paid in cash or other (explain)		\$0.00	c. Total Fixed DTI Ratio (line 17i /15f)	#DIV/0!
q. Assets available		\$0.00	19. Contract Sales Price of Property	
r. 2nd mortgage proceeds (if applicable)		\$0.00	\$0.00	
15. Monthly Effective Income			a. 6% of line 19	\$0.00
a. Borrower's base pay		\$0.00	b. Total Seller Contribution	\$0.00
b. Borrower's other earnings (explain)		\$0.00	c. Excess Contribution	\$0.00
c. Co-borrower's base pay		\$0.00	20. Borrower's CAIVRS #	21. Co-borrower's CAIVRS #
d. Co-borrower's other earnings (explain)		\$0.00		
e. Net income from real estate		\$0.00	22. Total Amount of Gifts	\$0.00
f. Gross monthly income		\$0.00		

Comments: (attach additional paper if needed)

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties (18 U.S.C. 1001, 1010, 1012; 31 U.S.C)

Final Application decision	Underwriter's Signature	Date	HUD Representatives Signature	Date
Approved				
Rejected				

Previous editions obsolete

31-Mar-11

HUD Office of Native American Programs: Section 184 Loan Guarantee Program
DO NOT MARK LOCATION – HUD DETERMINES UNDERWRITING OFFICE

DENVER, CO

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Denver, CO 80202

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WASHINGTON, DC

451 7th St., SW, Room 5143
Washington, DC 20410

Krisa Johnson

Phone: (202) 402-4119

Fax: (202) 401-2475

Krisa.M.Johnson@Hud.gov

1. Lender Name/TIN # _____
2. Lender Contact Name: _____
3. Lender Telephone: _____ Lender Fax: _____
4. Lender Email Address: _____
5. Please Indicate Purpose of Loan:
☐ Acq/Existing Home ☐ Cons/New Home ☐ Acq&Rehb/Existing Home
☐ Cred.Qual Refi/Cash Out ☐ Strmline Refi(Existing184) ☐ Cred Qual Refi. – Rate & Term
6. Please Check: ☐ Direct Guarantee Underwritten ☐ HUD Underwritten
7. Borrower Name _____
8. Co-Borrower Name _____
9. Tribal Affiliation: _____
10. Property Street Address: _____
City: _____ State: _____ Zip Code: _____
11. Proposed Mortgage Amount: \$ _____
12. Please Indicate Land Status of Property:
☐ Fee Simple (If entire State Approved, No Land Status Form Required)
☐ Tribal Trust Land ☐ Allotted or Individual Trust Land
(For Tribal Trust/Allotted land only) BIA Reservation # _____ BIA Track # _____
Name of Tribe with Land Jurisdiction: _____

TO BE COMPLETED BY HUD

Case Number: _____

DO NOT SUBMIT FILE UNTIL CASE # IS ASSIGNED

All case requests should be faxed to 202-401-2475 or emailed to Section184@Hud.gov

All appraisals should be sent to 184appraisal@Hud.gov

Rev. 12/01/2010

184 INDIAN HOUSING LOAN GUARANTEE PROGRAM

FIRM COMMITMENT SUBMISSION CHECKLIST – IHA/TDHE AND TRIBE BORROWERS

BORROWER _____

ITEM	INCLUDED
Lender Submission Contact Sheet	
Case Number Request Form	
Mortgage Credit Analysis Worksheet	
Maximum Mortgage Worksheet (Single Close Only)	
Good Faith Estimate	
Uniform Residential Loan Application (including Addendum A)	
Land Status and Jurisdiction Form	
CAIVRS	
Appraisal and/or Valuation Condition Sheet	
Audited Financial Statements (Current and Previous 1 Year)	
Demonstration of IHA or Tribal Development skills	
Assets Analysis (proving sufficient debt coverage)	
Demonstration of Sufficient Market	
Marketing Plan (sales project)	
Demonstration of IHA/TDHE or Tribal Property Management Skills (rental projects)	
Project Pro-Forma (rental projects)	
Rental and Maintenance Plan (rental projects)	
Evidence of Authority to Borrow	
Evidence of Ability to Obtain Deficiency Judgment	
Verification of Deposit/Funds to Close and Source of Funds	
Credit Report	
Flood Certificate	
Environmental Assessment *Applications for 5 or more homes must include an assessment under the NEPA and compliance with regulations	
Explanatory Statements	
Construction Documents	
Detailed Plans and Specifications	
Construction Schedule	
Cost Estimate	
Construction Contract	
Site Map and Legal Description	
Breakdown of Costs	
Builder Certification, HUD 92541	
FEE SIMPLE LAND	
Preliminary Title Report	
TRIBAL TRUST LAND	
Title Status Report (with recorded lease(s))	
Leasehold Instrument (with all signatures as required)	

Section 184 Case #:		184 Maximum Mortgage Worksheet for Rehabilitation and Single Close Loans
Lender:		
Borrower(s):		
Property Address:		

ALLOWABLE COSTS FOR REHABILITATION OR SINGLE CLOSE LOANS		
1. Total Costs of Repair or Construction Costs (from Specification of Repair or Contractor write-up)	Land Value or Cost:	\$0.00
	Purchase Price For Manufactured or Modular Home:	\$0.00
	Manufactured or Modular Home Construction Costs:	\$0.00
	Site Built Home Construction Costs:	\$0.00
2. Contingency Reserve on Construction Costs (10%)		\$0.00
3. Contingency Reserve on Site Work for Manufactured Construction (10%)		\$0.00

4. Inspection Fees :	0	# of Fees X	\$0.00	\$ per inspection =	\$0.00
5. Title Update Fees :	0	# of Fees X	\$0.00	\$ per draw =	\$0.00
6. Mortgage Payment Escrowed:	0	# of Months X	\$0.00	\$ per monthly payment =	\$0.00

7. SUBTOTAL for Rehabilitation or Construction Escrow Account (Total of 1 - 5)	\$0.00
---	--------

8. Less: Balance Remaining for LAND purchase:	\$0.00
9. Less: Minimum of 10% Deposit for Manufactured Home purchase:	\$0.00
10. Less: Architectural and Engineering Fees:	\$0.00

11. SUBTOTAL for release at closing (Total of 7 - 10)	\$0.00
--	--------

12. Total Land Equity: Land Value/Cost(line 1) - Balance Remaining for Land purchase (line 8)	\$0.00
--	--------

Comments: Use this space to explain any details of the construction costs that the Underwriter should be aware of.

Note: These figures will need to transfer to the Acquisition MCAW in the appropriate fields.

Field **MCAW Line**
7 **14a.**

Field **MCAW Line**
12 **14q.**

Signature of DG/HUD Underwriter

Date

LAND STATUS AND JURISDICTION FORM
SECTION 184 INDIAN HOUSING LOAN GUARANTEE PROGRAM
HUD, OFFICE OF NATIVE AMERICAN PROGRAMS

NOTE TO BORROWERS, TRIBES, AND LENDERS: *This form is intended as a model only.* Lenders and/or tribes may elect to use this or any other complete format to submit information about land type.

APPLICANT NAME: _____

CO-APPLICANT NAME: _____

LENDER: _____

TRIBE: _____

PROPOSED PROPERTY ADDRESS/LOCATION: _____

LAND STATUS:

_____ **TRIBAL TRUST LAND** (Attach a copy of a letter or other document from the tribe indicating the tribe's intention to permit the applicant to develop this site.)

_____ **FEE SIMPLE LAND** (Attach a copy of a map or legal description indicating that this land is within the IHA operating area.)

_____ **ALLOTTED OR INDIVIDUAL TRUST LAND** (Attach a copy of BIA document indicating that this land is held in trust for the applicant.)

_____ **RESTRICTED FEE** (Attach a copy of assignment or lease and a tribal resolution granting the applicant usage rights for this site. Please specify type of land.)

_____ **LAND ASSIGNMENT**

_____ **TRIBAL LEASEHOLD**

DOES THE TRIBE HAVE A TRIBAL COURT SYSTEM:

_____ **YES** _____ **NO**

IF YES, DOES THE TRIBAL COURT SYSTEM HAVE JURISDICTION TO HEAR FORECLOSURE AND/OR EVICTION CASES FOR THE PROPOSED SITE:

_____ **YES** _____ **NO**

SIGNATURE OF TRIBAL OFFICIAL:

SIGNATURE

SIGNATURE

TITLE/NAME OF TRIBE

Builder's Certification of Plans, Specifications, & Site

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0496
(exp. 08/31/2012)

Property Address (street, city, State, & zip code)	Subdivision Name
Mortgagee's (Lender's) Name & Address (this is the lender who closed the loan)	FHA Case Number
	Phone Number

1. **Site Analysis Information:** To be completed on all proposed and newly constructed properties regardless of LTV ratio.

- a. **Flood Hazards.** Are the property improvements in a Special Flood Hazard Area (SFHA)? ☐ Yes ☐ No
- 1) Provide the community number and date of the Flood Insurance Rate Map (FIRM) used to document your answer. Community Number _____ Map Date _____
- 2) Is the community participating in the National Flood Insurance Program and in good standing? ☐ Yes ☐ No
- 3) If "Yes" to 1a. above, attach:
- (i) a Letter of Map Amendment (LOMA) or;
- (ii) a Letter of Map Revision (LOMR) or;
- (iii) a signed Elevation Certificate documenting that the lowest floor (including basement) is built in compliance with 24 CFR 200.926d(c)(4).
- b. **Noise.** Is the property located within 1000 feet of a highway, freeway, or heavily traveled road? ☐ Yes ☐ No
- Within 3000 feet of a railroad? ☐ Yes ☐ No
- Within one mile of a civil airfield or 5 miles of a military airfield? ☐ Yes ☐ No
- c. **Runway Clear Zones / Clear Zones.** Is the property within 3000 feet of a civil or military airfield? ☐ Yes ☐ No
- If "Yes," is the property in a Runway Clear Zone / Clear Zone? ☐ Yes ☐ No
- d. **Explosive /Flammable Materials Storage Hazard.** Does the property have an unobstructed view, or is it located within 2000 feet, of any facility handling or storing explosive or fire prone materials? ☐ Yes ☐ No
- e. **Toxic Waste Hazards.** Is property within 3000 feet of a dump or landfill, or a site on an EPA Superfund (NPL) list or equivalent State list? ☐ Yes ☐ No
- f. **Foreseeable Hazards or Adverse Conditions.**
- (1) Does the site have any rock formations, high ground water levels, inadequate surface drainage, springs, sinkholes, etc.? ☐ Yes ☐ No
- (2) Does the site have unstable soils (expansive, collapsible, or erodible)? ☐ Yes ☐ No
- (3) Does the site have any excessive slopes? ☐ Yes ☐ No
- (4) Does the site have any earth fill? ☐ Yes ☐ No
- If "Yes," will foundations, slabs, or flatwork rest on the fill? ☐ Yes ☐ No

If you marked "Yes" to any of the above questions in f, please attach a copy of the State licensed engineers' (soils and structural) reports, designs, and/or certifications showing compliance with HUD requirements to ensure the structural soundness of the improvements and the health and safety of the occupants. Refer to HUD Handbook 4145.1 and FHA Data Sheet 79g.

Complete this section when seeking eligibility for Maximum Loan-to-Value Financing. Items 2 and 3 must be checked.

2. ☐ HUD Minimum Property Standards in the Code of Federal Regulations at 24 CFR 200.926d.
3. ☐ HUD Handbook 4145.1, Architectural Processing & Inspections for Home Mortgage Insurance, including Appendix 8, Site Grading & Drainage Guideline.
4. ☐ Local/State Code ☐ Applicable Provisions
5. ☐ CABO One- and Two-Family Dwelling Code, as listed in 24 CFR 200.926b.
6. ☐ CABO 1992 Model Energy Code
7. ☐ Electrical Code for One- and Two-Family Dwellings, as listed in 24 CFR 200.926b. (current edition; NFPA 70A/1984).
8. ☐ This is a manufactured (mobile) home and was constructed in accordance with the Federal Manufactured Home Construction & Safety Standards (FMHCS). The label on the manufactured home shows compliance with the FMHCS. I hereby certify that the plans and specifications for all other construction (i.e., site, foundation) comply with the applicable building code or HUD requirement listed above, including para. 3-4, Handbook 4145.1, and the Permanent Foundations Guide for Manufactured Housing.

Builder or Builder's Agent: I hereby certify that the site analysis information above is true and accurate to the best of my knowledge and belief and that the plans and specifications were designed to mitigate any foreseeable hazards or adverse conditions. On all properties eligible for maximum LTV financing, I further certify that I have personally reviewed the plans, specifications, and site information submitted herewith. Based upon my review, I hereby certify that such plans, specifications comply with the applicable building code specified above as well as complying with the HUD construction requirements listed above. An "X" marked in the blank by each numbered item indicates that provisions from the marked code apply.

9 a. Name of Builder's Company or Builder's Agent (type or print)	10 a. Name & Title of Builder or Builder's Agent (type or print)
b. Street Address	b. Signature of Builder or Builder's Agent Date (mm/dd/yyyy)
c. City, State, & Zip Code	c. Telephone Number (include area code)

11. **Affirmative Fair Housing Marketing Plan (AFHMP)** Did you sell five (5) or more houses in the last twelve (12) months or do you intend to sell five (5) or more houses within the next twelve (12) months with HUD mortgage insurance?

☐ Yes ☐ No

If "Yes," check either a, b, c, or d below.

- a. ☐ I am a signatory in good standing to a Voluntary Affirmative Marketing Agreement (VAMA).
- b. ☐ I have an AFHMP which HUD approved on (mm/dd/yyyy) _____.
- c. ☐ I have a contract with _____ to market this house.
- d. ☐ I certify that I will comply with the following: (a) Carry out an affirmative program to attract all minority and majority groups to the housing for initial sale or rental. Such a program shall typically involve publicizing to minority persons the availability of housing opportunities regardless of race, color, religion, sex, handicap, familial status or national origin, through the type of media customarily utilized by the applicants; (b) Maintain a nondiscrimination hiring policy in recruiting from both minority and majority groups; (c) Instruct all employees and agents in writing and orally in the policy of nondiscrimination and fair housing; (d) Conspicuously display the Fair Housing Poster in all Sales Offices, include the Equal Housing Opportunity logo, slogan and statement in all printed material used in connection with sales, and post in a prominent position at the project site a sign which displays the Equal Opportunity logo, slogan or statement, as listed in 24 CFR 200.620 and appendix M to part 200. I understand that I am obliged to develop and maintain records on these activities, and to make them available to HUD upon request.

Builder: I hereby certify that the site analysis information is true and accurate to the best of my knowledge and belief. On all properties eligible for maximum LTV financing, I further certify that the plans and specifications submitted herewith have been reviewed by the individual signing above and that the individual has the knowledge and experience necessary to determine whether such plans and specifications comply with the HUD/FHA requirements set forth at 24 CFR 200.926d and with other applicable HUD requirements as determined in accordance with 24 CFR 200.926(d)(1) and (2). Any subsequent changes to these plans and specifications shall comply with the aforementioned requirements. Upon sale or conveyance of the property, the undersigned will promptly furnish to lender a Warranty of Completion of Construction, form HUD-92544 on all properties eligible for maximum LTV financing.

12 a. Name of Builder's Company (type or print)	13 a. Name & Title of Builder (type or print)	
b. Street Address	b. Signature of Builder	Date (mm/dd/yyyy)
c. City, State, & Zip Code	c. Telephone Number (include area code)	

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1001.1; 31 U.S.C. 3729, 3802).

This form must be complete and legible and must be reproduced to include both sides of the document.

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

Executive Order 11988 and HUD environmental regulations (24 CFR Part 51) require builders who build newly constructed properties to ensure that the property is not affected by: flood hazards, noise, runway clear zones, explosive/flammable materials storage hazards, toxic waste hazards, and other foreseeable hazards that may affect the site. HUD requires this information to determine whether the site/location factors would adversely affect the dwelling or homeowner. A response is required whenever a builder builds new properties. Confidentiality is not applicable.

Instructions for Builder's Certification, form HUD-92541

To obtain maximum loan to value financing (high ratio loan) for a new property, a builder must:

- Become a certified builder in accordance with HUD requirements and certify that the plans and specifications for the home meet HUD requirements prior to the beginning of construction; or
- Have the plans and specifications for the home approved by HUD prior to the start of construction; or
- Provide a HUD accepted ten year protection (warranty) plan.

If the property is eligible for maximum loan to value financing on the basis of a, b, or c above, then the builder must complete Items 1 - 12 on this form. The builder or its agent may complete Items 9 and 10.

If the builder does not meet the criteria listed above for maximum loan to value financing, then the loan to value financing will be limited to 90 percent (low ratio loan). For these cases, the builder must complete Items 1, 9 and 10 on this form. The builder, not the builder's agent, must complete Items 9 and 10.

Item 1. Site Analysis: All builders must answer all the questions in this item even when the improved area procedure is required. An addendum may be added, if necessary, to provide a full explanation about any of the site conditions listed.

- Flood Hazards:** HUD prohibits new construction in Special Flood Hazard Areas unless there is a Letter of Map Amendment (LOMA), a Letter of Map Revision (LOMR), or an Elevation Certificate in accordance with 24 CFR 200.926d(c)(4) provided to the lender.
- Noise:** Self-explanatory.
- Runway Clear Zones/Clear Zones:** If the property is located in a Runway Clear Zone / Clear Zone, the lender must require, as a condition of borrower approval, that the borrower will sign a statement acknowledging receipt of the notification required by 24 CFR 51.303(a)(3).
- Explosive/Flammable Materials Storage Hazard:** Self-explanatory.
- Toxic Waste Hazards:** Self-explanatory.
- Foreseeable Hazards or Adverse Conditions:** Self-explanatory.

Items 2 - 8: If the lender desires the property to be eligible for maximum financing (a high-ratio loan), the certified builder/certified builder's agent **must** complete these items as follows:

- 2. & 3.** Place an "X" in the box in Items 2 and 3. The certified builder must complete Items 4 thru 8 as follows:
- 4.** The local/State code in Item 4 is the HUD accepted code for a locality as identified by a mortgagee from a list provided by HUD.
 - A "fully accepted code" is indicated by placing a "X" in the first space, identifying the code in the second space and placing the word "All" after "Applicable Provisions."
 - A "partially acceptable code" is indicated by naming the unacceptable portion as shown in the example: "All except materials standards."

The additional requirements needed from the Table in 24 CFR 200.926c, to supplement a partially acceptable local code, must be shown in Item 4.

If a local code has been changed since last accepted by HUD, a builder is required to submit for HUD review, a copy of such changes to the Code. Include all applicable service codes, appendices, and a copy of the statute, ordinance, regulation or ordinance making such changes.

5. When the whole CABO Code is used as the HUD referenced code in jurisdictions with "no code" or an "unacceptable code," place an "X" in the box in Item 5 and place the word "All" in the space.

6. Place an "X" in the box on line 6, because builders must comply with this energy code.

7. Place an "X" in the box on line 7, because the Electrical Code for One and Two Family Dwellings, NFPA 70A/1984 is required in conjunction with the CABO Code.

8. If the dwelling is a manufactured (mobile) home, place an "X" in the box in Item 8. Properly complete lines 4 through 7 for all "foundation and site work."

Items 9 & 10. The builder or the builder's agent must complete and sign these items. If the builder's agent completes and signs these items the builder's agent is certifying that builder's agent has the knowledge and experience to determine whether the plans and specifications comply with HUD/FHA requirements set forth in 24 CFR 200.926d and with other applicable HUD requirements in 24 CFR 200.926(d)(1) and (2). The builder's agent is further certifying that the information about the site is accurate to builder's agent's best knowledge and belief.

Item 11. If a builder has sold or intends to sell five (5) or more newly constructed properties within a twelve (12) month period, the builder is required to have one of the following:

- Be in good standing to a Voluntary Affirmative Marketing Agreement (VAMA); or
- Have a HUD approved Affirmative Fair Housing Marketing Plan (AFHMP); or
- Have a contract with a Marketing Agent to implement its approved AFHMP; or a contract with a Marketing Agent with signatory to a National Association of Realtors VAMA; or
- Certify to the requirements which are hereby listed, taken from 24 CFR 200.620.

Items 12 & 13. The builder must complete and sign Items 12 and 13. The certification is self-explanatory. All changes to the original form must be initialed and dated by the builder.

Appraiser / Direct Endorsement Lender's Responsibility

Fee Appraiser / Direct Endorsement Staff Appraiser. The fee appraiser / DE staff appraiser must receive a fully executed form HUD-92541 before performing the appraisal on proposed or under construction properties or properties less than one year old.

The appraiser must review Item 1 and note in the Appraisal Report any discrepancies between the information in Item 1 and the actual conditions observed on site. The appraiser must take into consideration the effects of any site conditions on the value of the property.

Direct Endorsement Underwriter. The DE Underwriter must review the Appraisal Report and the Builder Certification as part of the underwriting process, taking into consideration the effect of any site conditions on the value of the property. Page 1 of this form must be complete and legible. Only the builder or the builder's agent is authorized to complete or change this form. The DE Underwriter cannot change and/or modify this certification form.

MCRV/CRV Submissions

Form HUD-92541 is required on all newly constructed properties and must be in the HUD Case Binder on all conversions from VA.

RESIDENTIAL LEASE OF TRIBAL OWNED LAND

Lease No. _____

Contract No. _____

THIS Lease is made and entered into by and between _____ for and on behalf of _____ Tribe of Indians, hereinafter designated as "Lessor," and _____, members of the _____ Tribe and residing upon the _____ Indian Reservation, hereinafter designated as "Lessee."

WITNESSETH

1. SECRETARIAL APPROVAL; FEDERAL AGENCY APPROVAL; DEFINITIONS OF FEDERAL AGENCY, TRIBE, and LENDER. As used in this Lease, the term "Secretary" means the Secretary of the Interior or his or her duly authorized representative. This Lease is subject to the approval of the Secretary pursuant to the Act of August 9, 1955, 69 Stat. 539, as amended, 25 U.S.C. § 415, as implemented by Title 25, Code of Federal Regulations, Part 162. The form of this Lease has been accepted by the Secretary of Housing and Urban Development (HUD) pursuant to 24 C.F.R. § 203.43h(c), which implements Section 248 of the National Housing Act, 12 U.S.C. § 1715z-13, for use in connection with Federal Housing Administration (FHA) insurance of a mortgage on the interest created by this Lease, and pursuant to 24 C.F.R. § 1005.107, which implements Section 184 of the Housing and Community Development Act of 1992 (Pub. L. 102-550) for use in connection with HUD's issuance of a loan guarantee of a mortgage on the interest created by this Lease. The form of this Lease has also been accepted by the Secretary of the United States Department of Agriculture (USDA) for use in connection with the issuance by USDA or its Rural Housing Service (RHS) of a direct or guaranteed loan pursuant to section 502 of the Housing Act of 1949 as amended, 42 U.S.C. § 1472, and accepted by the Secretary of the Veterans Affairs (VA) for use in connection with the issuance by VA of a direct or guaranteed loan pursuant to chapter 37 of Title 38, United States Code, secured by the interest created by this Lease. As used in the context of this Lease, the term "Tribe or Tribal" refers to the respective Tribe who enters into this Lease as the "Lessor." For future reference, "Federal Agency" refers to HUD, VA, and USDA. When used in this Lease, the "lender" is any mortgagee that a Federal Agency has approved or a Federal Agency which makes a direct loan. With respect to mortgages which are insured under Section 248 of the National Housing Act, the lender must be approved by the Federal Housing Administration. The term "lender" also includes any of the lender's successors or assigns of the lender's right, title to, or interest in, the Mortgage and any subsequent noteholder secured by the Mortgage. The assignment of the mortgage or any interest therein does not require the consent of the Tribe.

2. PREMISES. Lessor hereby Leases to the Lessee all that tract or parcel of land situated on the _____ Indian Reservation, County of _____, State of _____, and described as follows (the Leased Premises):

[description], _____ County, _____ Indian Reservation,

_____ approximately _____ acres.

3. USE OF PREMISES. The purpose of this Lease is to enable the Lessee to construct, improve, and maintain a dwelling and related structures on the Leased Premises, and otherwise to use said premises as a principal residence. The Lessee agrees not to use any part of the Leased Premises for any unlawful conduct or purposes and will comply with all applicable Federal Laws.

4. TERM. Lessee shall have and hold the Leased Premises for a term of ____ years beginning on the effective date of this Lease. This Lease may not be terminated by either or both parties during its term if, and as long as, the Lease and/or any improvements on the premises, or any interest therein, is mortgaged or otherwise pledged as security for any loan in accordance with the provisions hereof, unless consent in writing to such termination is given by the lender and, if the loan is guaranteed, insured, or made by a Federal Agency, a written consent of that agency is also required. This Lease shall not be subject to any forfeiture or reversion and shall not be otherwise terminable, if such event would adversely affect any interest in the Leased Premises, including improvements thereon, acquired in accordance with the provisions hereof by the holder of any mortgage or other lien, or of any purchaser at a foreclosure sale under such mortgage (or lien) or under any conveyance given in lieu of

foreclosure, or of any holder subsequent to such purchase. In the event a Federal Agency acquires a mortgage on the interest created by this Lease by assignment from a lender, the Lessor shall not terminate the Lease without the written consent of the respective Federal Agency, as long as the mortgage is in force.

5. RENT. The improvement of housing for Tribal families is a public purpose of the Lessor. The consideration for this Lease is (1) the obligation of Lessee to further said purpose, (2) the promise hereby given by Lessee to pay the Lessor rent at the rate of \$_____ per _____, (3) the extinguishment, hereby agreed to by Lessee, of any and all use rights heretofore held by Lessee in the Leased Premises, so that Lessee shall hereafter hold rights only by virtue of this Lease, and (4) other good and valuable considerations, the receipt of which is hereby acknowledged by Lessor. Rent may be subject to adjustment pursuant to 25 CFR 162.

6. IMPROVEMENTS. All buildings or other improvements now existing or hereafter constructed on the Leased Premises shall be the leasehold property of the Lessee during the term of this Lease, including any extension or renewal thereof. During the term of this Lease, Lessee shall obtain any necessary governmental permits, approvals or authorization required for the construction and use of all improvements he or she (they) places or cause(s) to be placed on the Leased Premises, and shall comply with all laws applicable to the construction and use of improvements.

7. USE RIGHT. Upon expiration of this Lease, or upon its termination in accordance with the terms hereof, unless such termination is due to default upon the part of Lessee, Lessee or any successors in interest shall be entitled to use rights in the Leased Premises if qualified under the laws of the Tribe. If not so eligible, Lessee, his or her (their) subLessee and any successors in interest shall, upon demand, surrender to Lessor upon expiration or other termination of this Lease complete and peaceable possession of the Leased Premises and all improvements thereon which have not been relocated as permitted under Paragraph 23 of this Lease, which shall be the property of the Tribe.

8. FEDERAL SUPERVISION.

(a) Nothing contained in this Lease shall operate to delay or prevent a termination of Federal responsibilities with respect to the Leased Premises by the issuance of a fee patent, the lifting of restrictions on alienation, or otherwise during the term of the Lease; such termination, however, shall not serve to abrogate the Lease.

(b) No member of Congress or any delegate thereto or any Resident Commissioner shall be admitted to any share or part of this Lease or to any benefit that may arise herefrom.

9. QUIET ENJOYMENT. Lessor agrees to defend the title to the Leased Premises and also agrees that Lessee and any successors in interest shall peaceably and quietly hold, enjoy and occupy the Leased Premises for the duration of this Lease without any hindrance, interruption, ejection or molestation by Lessor or by any other persons whomsoever, except if the requirements of any part of this Lease are not kept by the Lessee. Notwithstanding the foregoing, Lessee and his or her (their) assigns is (are) subject to all the laws of the Tribe to the same extent as any other Tribal member or resident.

10. ASSIGNMENT AND SUBLEASE. (a) Except as otherwise provided herein, Lessee shall not assign or sublet this Lease without the prior written consent of the Lessor and sureties (as found in 25 CFR 162), and approval of the Secretary of the Interior. If this Lease and/or any improvements on the Leased Premises are mortgaged or pledged as security for a loan, Lessee shall not assign or sublet this Lease without the written approval of the lender and the respective Federal Agency. Lessee may assign the Lease and deliver possession of the Leased Premises, including any improvements thereon, to the lender or its successors, or Federal Agency guaranteeing or insuring the loan, if Lessee default(s) in any mortgage or other loan agreement for which the Lease and/or improvements on the Leased Premises are pledged as security, and, in such event, the lender or its successors in interest may transfer this Lease or possession of the Leased Premises to a successor Lessee; provided, however, that the Lease may only be transferred to another member of the Tribe or tribal entity. Nothing in this Lease shall prevent the Lessee, with the approval of the Secretary of the Interior and the Secretary of HUD (for Section 248 insured loans), from executing and recording a mortgage, declaration of trust and/or other security instrument as

may be necessary to obtain financing for the purchase of a dwelling, refinancing of an existing mortgage, construction and/or improvement of a dwelling and related structures, or shall prevent the mortgagee or other lender from foreclosing or instituting other appropriate proceedings under law in the event of default of any mortgage or other loan agreement by the Lessee, or assigns. Except in cases involving loans for home construction or home improvement by a bank, recognized lending institution, or a lending agency of the United States Government, where no such consent or approval of Lessor shall be required, Lessee may not execute a mortgage, declaration of trust or other security instrument pledging their interest in this Lease or any improvements on the Leased Premises without the prior written consent of Lessor and the approval of the Secretary.

Notwithstanding the provisions contained above, the following additional requirements shall be applicable to a Lease, which secures a mortgage insured, guaranteed or held by a Federal Agency:

(b) Notwithstanding that the term sublease is used herein, the Lessee shall not sublease the premises if the Lease is the security for a mortgage insured under Section 248. The lessee may assign the lease in accordance with the terms hereunder.

In the event a Federal Agency is the lender or acquires the mortgage secured by this Lease, and subsequently acquires said Lease by foreclosure, or by the assignment of said Lease by Lessee, his or her (their) Lessees or assigns (for which the approval of the Tribe is not required), then:

- (1) The appropriate Federal Agency, (the Agency involved in this transaction) will notify the Tribe of the availability of the Lease for sale, the sales price of the home and other terms of sale.
- (2) The Lease may only be assigned to another tribal member or tribal entity, except that the appropriate Federal Agency may lease the Leased Premises to a non-member under the conditions specified herein. Any such sublease or assignment shall be executed consistent with tribal law and Federal law.
- (3) If a purchaser is found, the Lease will be transferred by the Federal Agency, to the purchaser, with the prior written consent of the appropriate Tribe.
- (4) If a purchaser cannot be found, the appropriate Federal Agency, shall be entitled to sublease the Leased Premises and improvements without the prior written approval of the Tribe. Such sublease shall be to a member of the Tribe, unless a tribal member Lessee cannot be found, in which case the Federal Agency may sub-Lease to any individual. The term of the initial Lease period and any succeeding period shall not exceed one year each. Any purchase of the Lease shall be subject to any sublease by the Federal Agency pursuant to this subsection.
- (5) No mortgagee (except a Federal Agency as mortgagee or assignee of a mortgagee) may obtain title to the interest created by this Lease without the prior written consent of the Tribe.

In the event that the lender is the entity responsible for acquiring the Lease and the leasehold estate by foreclosure, the lender shall have the rights of the Federal Agency who had insured or guaranteed the foreclosed mortgage under subparagraphs (1) through (5) above, provided this sentence does not apply to loans insured under HUD/FHA's Section 248 program.

11. OPTION. Subsequent to Lessee's breach of any covenant or agreement under a mortgage or other security instrument for which the Lease or any improvements on the Leased Premises are pledged as security, and upon the expiration of any applicable cure period, the Lessor shall have an option (the "option" herein) to acquire the Lessee's Leasehold interest, (subject to all valid liens and encumbrances) upon either payment in full of all sums secured by the mortgage or assumption of the loan with the approval of the lender or the applicable Federal Agency as evidenced by the note and mortgage and execution of an assumption agreement acceptable in all respects to the Lender. Such option is subject to the following conditions:

- (a) If the Lessee or any assignee of Lessee fails to cure the default, the lender shall give written notice to the Lessor and any applicable Tribal housing authority of Lessee's of its assignee's failure,
- (b) If the Lessee fails to cure the default, and said notice shall be given before the lender or successor invokes any other remedies provided under the mortgage or by law. Thereafter, the lender may issue an acceleration notice to the Lessee, its Lessees or assigns, under the mortgage or other security instrument, requiring the Lessee, its Lessees or assigns to pay all sums secured by the mortgage or other security instrument. If the Lessee, its Lessees or assigns fail to cure the default in accordance with the terms of the lender's acceleration notice, the lender shall give the Lessor written notice of said failure to cure. The Lessor may exercise its option at any time within thirty (30) days of the date of the lender's written notice to the Tribe of said failure to cure. This option shall be exercised by notice in writing from the Lessor to the Lessee and the lender.
- (c) Notwithstanding the Lessor's option to acquire the Lessee's interest in the Leased Premises, such option shall be subject to any right the Lessee may have under the mortgage or by law to reinstatement after the acceleration, and the right to bring appropriate court action to assert the non-existence of a default or any other defense to acceleration and sale or foreclosure.
- (d) The estate acquired by the Lessor through the exercise of the option shall not merge with any other estate or title held by the Lessor as long as the leasehold interest or any improvements on the Leased Premises, or any interest therein, are mortgaged or otherwise pledged as security for any loan, and the leasehold interest shall remain subject to any valid and subsisting mortgage or other security instrument.

12. RESERVATIONS: Lessee shall use the premises exclusively for residential purposes, except as otherwise agreed to by the parties. Any rights not expressly provided are reserved by the Lessor.

Minerals: The Lessor reserves all rights, as owned by the Lessor, to all mineral rights, including but not limited to oil, gas, or hydrocarbon substances. The Lessor shall not exercise surface entry in connection with reserved mineral rights without prior consent of the Lessee and sureties (as found in 25 CFR 162).

Timber: The Lessor reserves all rights, as owned by the Lessor to timber and forest products on the premises.

Water: The Lessor reserves all rights, as owned by the Lessor, to water on the premises, except that which is needed for residential purposes.

13. EFFECTIVE DATE. This Lease and all its terms and provisions shall be binding upon the successors, and assigns of the Lessee and any successor in interest to the Lessor, and shall take

effect on the _____ day of _____, _____, or upon the date of approval by the Secretary, whichever is later.

14. OBLIGATION TO THE UNITED STATES. It is understood and agreed that while the Leased Premises are in trust or restricted status, all of the Lessee's obligations under this Lease, and the obligation of his, hers (theirs) sureties, are to the United States as well as to the owner of the land.

15. ASSENT NOT WAIVER OF FUTURE BREACH OF COVENANTS. No assent, express or implied, to any breach of any of the Lessee's covenants, shall be deemed to be a waiver of any succeeding breach of any covenants.

16. VIOLATIONS OF LEASE. It is understood and agreed that violations of this Lease shall be acted upon in accordance with the regulations in 25 CFR Part 162.

17. CARE OF PREMISES. It is understood and agreed that the Lessee is to keep the premises covered by this lease in good repair. Lessee shall not commit or permit to be committed any waste whatever on said premises and shall not remove or tear down any building or other improvements thereto, but shall keep the same in good repair. Lessee shall not destroy or permit to be destroyed any trees, except with the consent of the Lessor and the approval of the Secretary, and shall not permit the premises to become unsightly. The Lessee will be held financially responsible for all unrepaired damages to buildings, fences, improvements or appearance, except for the usual wear and decay.

18. FORCE MAJEURE. Whenever under this instrument a time is stated within which or by which original construction, repairs or re-construction of said improvements shall be completed, and if during such period any cause reasonably beyond the Lessee's power to control occurs, the period of delay so caused shall be added to the period allowed herein for the completion of such work.

19. INSPECTION OF THE PREMISES. The Secretary, lender, applicable Federal Agency, and the Lessor and their authorized representative shall have the rights, at any reasonable times during the term of this lease, and with reasonable notice, to enter upon the leased premises, or any part thereof, to inspect the same and all buildings and other improvements erected and placed thereon.

20. INDEMNIFICATION. Neither the Lessor nor the United States, nor their officers, agents, and employees shall be liable for any loss, damage, or injury of any kind whatsoever to the person or property of the Lessee or sublessees or any other person whomsoever, caused by any use of the leased premises, or by any defect in any structure erected thereon, or arising from any accident, fire, or other casualty on said premises or from any other cause whatsoever; and Lessee, as a material part of the consideration for this lease, hereby waives on Lessee's behalf all claims against Lessor and/or the United States and agrees to hold Lessor and/or the United States free and harmless from liability for all claims for any loss, damage, or injury arising from the use for the premises by Lessee, together with all costs and expenses in connection therewith.

21. UTILITIES. Neither the Lessor nor the United States shall have any obligation to provide utilities as of the commencement of this Lease. In the event that the Lessee requires utilities, the installation and maintenance thereof shall be the Lessee's sole obligation, provided that such installation shall be subject to the written consent of the Lessor, which the Lessor will not unreasonably withhold. The Lessee shall pay, as they become due, all bills for electricity and other utilities that are furnished to the leased premises.

22. LATE PAYMENT INTEREST. It is understood and agreed between the parties hereto that, if any installment of rental is not paid within 30 days after becoming due, interest will be assessed at the existing prime rate, plus three (3) percent, times the amount owed for the period during which payments are delinquent. Interest will become due and payable from the date such rental becomes due and will run until said rental is paid. The interest rate formula is $\text{Interest} = (\text{Prime rate} + 3\%) \text{ times } (x) \text{ amount due}$.

23. RIGHT OF REMOVAL. Upon the termination of the lease, the Lessee of a one-unit single family dwelling shall be entitled, within _____ days, to remove the dwelling and related structures from the leased premises and relocate such improvements to an alternative site, not located on the leased premises. Any Lessee who exercises such a right shall be required to pay all costs related to the relocation of the dwelling unit. Lessee shall leave the land in good order and condition. All other improvements shall become the property of the Lessor at the expiration of this lease. This paragraph does not apply to Section 248 insured mortgage loans.

24. INSURANCE. The Lessee agrees, so long as this lease is in effect, to keep buildings and improvements on the leased premises insured against loss or damage by fire with extended coverage endorsements in an amount equal to the full insurable value of the buildings and improvements insured. Said policy is to be made payable to the Bureau of Indian Affairs for the benefit of the Lessor. Said policy or policies shall be deposited with the Secretary and Lessee shall pay all premiums and other charges payable in respect to such insurance and shall deposit with the Secretary the receipt for each premium or other charge as paid or satisfactory evidence thereof. Except, during

such time that a mortgage is in effect against this Leasehold interest, that said policy is to be made jointly payable to the Lessee and the Lender, and premium payments provided for per specific requirements of the Lender.

25. ADDITIONS. Prior to execution of this Lease, provision (s) number (s)

_____ has (have) been added hereto and by reference is (are) made a part hereof.

WITNESS: _____, _____, Lessor

WITNESS: _____, _____, Lessee

APPROVED: SECRETARY OF THE
INTERIOR

BY: Date This lease is approved pursuant to the authority delegated by

_____ Approving Official

_____ Date

**SECTION 184 INDIAN LOAN GUARANTEE PROGRAM
UNDERWRITING - FIRM COMMITMENT - SUBMISSION CHECKLIST
INDIVIDUAL BORROWERS - PURCHASE TRANSACTIONS**

BORROWER(S): _____ Case # _____

ITEM	INCLUDED
Lender Submission Contact Sheet	
Case Number Request Form	
Mortgage Credit Analysis Worksheet (Form HUD 53036)	
Good Faith Estimate (Original and all re-disclosures)	
Uniform Residential Loan Application/Addendum A (initial signed)	
Uniform Residential Loan Application/Addendum A (final/unsigned)	
Land Status and Jurisdiction Form	
Sales Contract	
Appraisal Report	
Borrower Native American ID and Social Security Evidence	
Credit Report	
Letters of Explanation on Derogatory Credit	
W-2s (2 years) and Paystubs (covering the most recent 30 days) and Verifications of Employment	
IRS Tax Transcripts for 2 years	
Verifications of Employment	
Federal Income Tax Returns with all schedules (as applicable)	
Form 4506-T Request for Transcript of Tax Return	
Gift Letter or other documentation on source of funds if other than on deposit	
Bank Statement(s)/ Verification of Deposit	
24 Month Verification of Prior Payment History (rental or mortgage)	
CAIVRS	
LDP/GSA (print outs for all parties)	
Home Inspection Form	
Lead Based Paint Addendum (if appropriate)	
Flood Certificate	
Environmental Review	
Termite Inspection Report (if required in the Jurisdiction)	
Well Water Inspection and Septic Inspection if applicable	
Homeowners Insurance Policy	
Preliminary HUD-1 with all lender and closing agent costs	
FEE SIMPLE LAND	
Preliminary Title Report	
TRIBAL TRUST LAND	
Title Status Report (with Recorded Lease)	
Leasehold Instrument (with all signatures as required)	
Environmental Review (required for Tribal Trust, Allotted Trust, and Fee on Reservation properties)	
INDIVIDUAL ALLOTTED TRUST LAND (NO Lease)	
Title Status Report (including consent to mortgage from all owners if fractionated)	
BIA Approval of Mortgage prior to closing	
INDIVIDUAL ALLOTTED TRUST LAND (With Lease)	
Title Status Report (with recorded lease)	
Leasehold Instrument (with all signatures as required)	

Mortgagee's Assurance of Completion

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0189 (exp. 04/30/2011)

Public reporting burden for this collection of information is estimated to average 6 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not conduct or sponsor, and a person is not required to respond to, a collection information unless that collection displays a valid OMB control number.

Instructions: Please complete and submit Part 4 to the HUD Field Office as soon as the work is completed and inspected (on or before the specified completion date), and the balance of funds held to assure completion has been disbursed.		Note: This is not an escrow agreement. The mortgagee must take such action as it considers necessary, by supplemental agreement or otherwise, to assure itself that the work will be completed if not performed by the mortgagor. The Department holds the mortgagee responsible even if the stipulated escrow amount proves to be insufficient.	
Mortgagee's Name, Address, & Zip Code :		FHA Case No. :	
<div style="border: 1px solid black; height: 100px; width: 100%;"></div>		Mortgagor :	
		Property Location :	
		(Mark the appropriate box) <input type="checkbox"/> HUD Commitment Date : <input type="checkbox"/> Form HUD-92051	
		Completion Date :	Amount of Escrow Fund : \$

To The Federal Housing Commissioner: In consideration of your issuing a Mortgage Insurance Certificate in the above numbered case, the undersigned will see that the incomplete construction, alterations and repairs as set forth in the HUD Compliance Inspection Report or HUD Commitment for Insurance identified above are completed on or before the specified completion date. The undersigned further agrees that at the time of completion it will certify to its personal inspection and the satisfactory completion of all items.

The Items To Be Completed Are:

A. Cash Escrow: To secure completion of these improvements on or before the specified completion date, the undersigned agrees to hold the sum of \$ _____, hereinafter referred to as the "Fund," and not to expend or disburse said Fund until a representative of the undersigned has made a personal inspection of the work and found that all items have been satisfactorily completed and there is evidence satisfactory to the undersigned that there are no liens or possibilities of liens in connection with said improvements on the premises covered by the above.

The undersigned further agrees, if it is an institution which is required by HUD regulations to segregate mortgage escrow funds, that it will hold said sum in a special custodial bank account separate and apart from its general assets.

B. Commercial Letter of Credit: To secure completion of these improvements on or before the specified completion date, the undersigned has accepted from _____, builder, an irrevocable letter of credit drawn upon _____, a commercial bank, dated _____, in the amount of \$ _____, which letter will make available to the undersigned \$ _____, for the completion of these improvements, and the undersigned agrees to not release the right to draw upon said letter of credit, hereinafter referred to as the "Fund," until a representative of the undersigned has made a personal inspection of the work and found that all items have been satisfactorily completed and there is evidence satisfactory to the undersigned that there are no liens or possibilities of liens in connection with said improvements on the premises covered by the above. The undersigned further engages and confirms, if a letter of credit constitutes the "Fund," that the issuing bank will honor said letter of credit or that the undersigned will, itself, honor said letter of credit.

The undersigned agrees to notify the Field Office when final disbursement is made, and further agrees that, in the event of offering the credit and security instruments to the above-numbered case for sale or transfer prior to such final disbursement or release of the letter of credit, it will notify the prospective purchaser thereof in full detail. It is understood that HUD will not release the original mortgagee from its responsibility unless the transferee assumes the responsibilities of the transferor either by execution of a new form, or by making a proper endorsement on the existing form to the effect that it accepts the new agreement and assumes the responsibility of the transferor.

The undersigned further agrees that as further consideration for issuance of a Mortgage Insurance Certificate in this case, this instrument shall constitute a primary obligation of the undersigned to complete these improvements in a manner satisfactory to comply with the requirements of the Compliance Inspection Report or HUD Commitment For Insurance identified above regardless of the adequacy for such completion of the "Fund."

Date :	Signature & Title of Mortgagee's Official :	For Direct Endorsement Underwriters Only : Mark the Box & Enter Your ID No. <input type="checkbox"/>
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Mortgagee's Assurance of Completion

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

OMB Approval No. 2502-0189 (exp. 4/30/2011)

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Mortgagee's Name, Address, & Zip Code :	FHA Case No. :
<div style="border: 1px solid black; height: 40px; width: 100%;"></div>	Mortgagor :
<div style="border: 1px solid black; height: 40px; width: 100%;"></div>	Property Location :
<div style="border: 1px solid black; height: 40px; width: 100%;"></div>	(Mark the appropriate box) <input type="checkbox"/> HUD Commitment Date : <input type="checkbox"/> Form HUD-92051
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The Items To Be Completed Are:

Such assurance of completion represents an agreement solely between HUD and the Mortgagee, and does not relieve the Mortgagee of responsibility for assuring itself, by supplemental agreement or otherwise, that the work is completed if not performed by the Mortgagor. The Mortgagee is held responsible even if the stipulated escrow amount proves to be insufficient.

Date :	Signature & Title of Mortgagee's Official :	For Direct Endorsement Underwriters Only : Mark the Box & Enter Your ID No. <input type="checkbox"/>
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Mortgagee's Assurance of Completion

U.S. Department of Housing
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		Mark the appropriate box) <input type="checkbox"/> HUD Commitment <input type="checkbox"/> Form HUD-92051 Date :	
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B. Commercial Letter of Credit: To secure completion of these improvements on or before the specified completion date, the undersigned has accepted from _____, builder, an irrevocable letter of credit drawn upon _____, a commercial bank, dated _____, in the amount of \$ _____, which letter will make available to the undersigned \$ _____, for the completion of these improvements, and the undersigned agrees to not release the right to draw upon said letter of credit, hereinafter referred to as the "Fund," until a representative of the undersigned has made a personal inspection of the work and found that all items have been satisfactorily completed and there is evidence satisfactory to the undersigned that there are no liens or possibilities of liens in connection with said improvements on the premises covered by the above. The undersigned further engages and confirms, if a letter of credit constitutes the "Fund," that the issuing bank will honor said letter of credit or that the undersigned will, itself, honor said letter of credit.

The undersigned agrees to notify the Field Office when final disbursement is made, and further agrees that, in the event of offering the credit and security instruments to the above-numbered case for sale or transfer prior to such final disbursement or release of the letter of credit, it will notify the prospective purchaser thereof in full detail. It is understood that HUD will not release the original mortgagee from its responsibility unless the transferee assumes the responsibilities of the transferor either by execution of a new form, or by making a proper endorsement on the existing form to the effect that it accepts the new agreement and assumes the responsibility of the transferor.

The undersigned further agrees that as further consideration for issuance of a Mortgage Insurance Certificate in this case, this instrument shall constitute a primary obligation of the undersigned to complete these improvements in a manner satisfactory to comply with the requirements of the Compliance Inspection Report or HUD Commitment For Insurance identified above regardless of the adequacy for such completion of the "Fund."

Date :	Signature & Title of Mortgagee's Official :	For Direct Endorsement Underwriters Only : Mark the Box & Enter Your ID No. <input type="checkbox"/>
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Mortgagee's Assurance of Completion

U.S. Department of Housing
and Urban Development
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<div style="border: 1px solid black; width: 100px; height: 100px; margin: 10px auto;"></div>		Mortgagor :	
		Property Location :	
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The Items To Be Completed Are:

You are reminded that such assurance of completion represents an agreement solely between HUD and the Mortgagee, and does not relieve the Mortgagee of responsibility for assuring itself, by supplemental agreement or otherwise, that the work is completed if not performed by the Mortgagor. The Mortgagee is held responsible even if the stipulated escrow amount proves to be insufficient.

To The Federal Housing Commissioner: The undersigned certifies that a representative has personally inspected the construction, alterations and repairs covered by the assurance of completion mentioned above, and that all said items have been completed in a satisfactory manner. The balance of funds held to assure completion has been properly disbursed.

Date :	Signature & Title of Mortgagee's Official :	For Direct Endorsement Underwriters Only : Mark the Box & Enter Your ID No.
		<input type="checkbox"/>

Mortgagee's Assurance of Completion

U.S. Department of Housing
and Urban Development
Office of Housing
Federal Housing Commissioner

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Mortgagee's Name, Address, & Zip Code :		FHA Case No. :	
<div style="border: 1px solid black; width: 100px; height: 100px; margin: 10px auto;"></div>		Mortgagor :	
		Property Location :	
		(Mark the appropriate box) <input type="checkbox"/> HUD Commitment Date :	
		<input type="checkbox"/> Form HUD-92051	
Completion Date :		Amount of Escrow Fund :	
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The Items To Be Completed Are:

You are reminded that such assurance of completion represents an agreement solely between HUD and the Mortgagee, and does not relieve the Mortgagee of responsibility for assuring itself, by supplemental agreement or otherwise, that the work is completed if not performed by the Mortgagor. The Mortgagee is held responsible even if the stipulated escrow amount proves to be insufficient.

To The Federal Housing Commissioner: The undersigned certifies that a representative has personally inspected the construction, alterations and repairs covered by the assurance of completion mentioned above, and that all said items have been completed in a satisfactory manner. The balance of funds held to assure completion has been properly disbursed.

Date :	Signature & Title of Mortgagee's Official :	For Direct Endorsement Underwriters Only : Mark the Box & Enter Your ID No.
		<input type="checkbox"/>

HUD Handbook 4150.1-Valuation Analysis for Home Mortgage Insurance

12-14. SOLAR ENERGY.

A. To encourage the use of solar energy in homes, HUD will insure a mortgage up to 20 percent above the maximum allowable insurable amount in a geographical area if such increase is necessary to account for the increased cost of the residence due to the installation of a solar energy system which may not exceed 20 percent of the value of the property. HUD programs eligible for this allowance are 203(b), 203(k), 203(n), 233, 244, 245, 809 and 203(i). While Section 234 is not included as an eligible program for an increased mortgage amount, there is no reason that solar energy may not be included in a condominium with added value for the system provided that the mortgage amount does not exceed the maximum insurable amount for the geographical area in which it is located. Applicable mortgage amounts for two-, three- and four-unit dwellings are appropriately affected. Proper documentation of the Homeowners Association acceptance and a hold harmless covenant executed by the mortgagor(s) must be submitted with an application for a condominium unit.

B. An eligible solar energy system is defined as any addition, alteration, or improvement to an existing or new structure which is designed to utilize wind or solar energy to reduce energy requirements obtained from other sources. Solar heating and domestic hot water systems are not acceptable without operational 100 percent back-up conventional systems. Active and passive solar energy systems are permitted in this program. The systems must comply with HUD Handbook 4930.2, Intermediate Minimum Property Standards for Solar Heating and Domestic Hot Water Systems. Descriptions of various types of active and passive solar systems are included in Appendix C of these standards.

C. The solar energy system's contribution to value will be limited by its replacement cost or by its effect on the market price of the dwelling. In the event that market data is not available to indicate the additional amount which would be paid for a property containing a solar energy system, the amount of increase would be the lesser of the actual cost of the solar system installed in the subject house or 20 percent of the market value of the property. The difference in added value contributed by the solar system in comparison to the conventional system must represent a reasonable proportion of the total value of the property and may never exceed 20 percent of the market value of the property without a solar energy system.

D. If a Veterans Administration Certificate of Reasonable Value for existing construction is involved, and a solar system is included, the value established on the CRV will reflect the presence of the solar system. If the mortgagee requests a mortgage based on the solar system which exceeds the maximum mortgage amount for the area, it is the responsibility of the mortgagee to secure from the local VA office a copy of the uniform Residential Appraisal Report on the property, URAR, and submit it with the VA CRV. This form will enable the local HUD Office to determine the incremental increase in the value of the property added by the solar system. Once the increase has been identified by the HUD Office, the aforementioned procedure for determining the maximum mortgage amount would govern. It is appropriate to note that in arriving at the VA established reasonable value of a property with a solar system, the amount by which the solar system increases the value is based on market comparisons and not on the actual cost of the solar system.

E. APPRAISAL PROCEDURE. The appraiser shall reflect in value the local market acceptance of solar heating equipment. Solar heating and hot water systems are not

acceptable without operational 100 percent backup conventional systems. Solar collectors must be located where they will be free from natural or man made obstructions to the sun.

1) Acceptability. When such systems are proposed to be installed, they shall comply with the provisions of Handbook 4930.2, Intermediate Minimum Property Standards Supplement for Solar Heating and Domestic Hot Water Systems. When such a system is already installed in an existing home, the appraiser may request an inspection of the system by the person responsible for the architectural or engineering aspects of the solar energy program in that Field Office for recommendations as to acceptability.

2) Limits to Value. The solar heating or hot water system's contribution to value will be limited by its replacement cost and by its effect on the market price of the dwelling. In completing the estimate of value by market comparison between a subject property which includes a solar heating system and a recently sold comparable property which includes a fossil fuel system only, the sale price of the comparable is increased by the amount typically paid in the market for the solar heating system, to arrive at the indicated market price of subject property.

3) Temporary Procedure - Lack of Market Data. In the event that market data is not available to indicate the additional amount which would be paid for a property which does include solar heating or hot water system, then the amount of the increase shall be the difference in cost between all heating equipment including solar installed in the subject house less the cost of all heating equipment installed in the comparable property without a solar installation. However, in making this adjustment based on differences in cost, the appraiser shall consider the ratio between the value added by solar heating system and the value of the property with a conventional heating system only, to ensure that the contribution of a solar heating system to total value represents a reasonable proportion of the total value of the property.

4) Responsibility for Temporary Limit. The Field Office shall consider the costs of acceptable solar energy systems for homes of several sizes, and shall consider the market prices of typical homes of these several sizes (without solar energy systems) in order to set a limit on the amount which a solar energy system can add to the estimated value of the subject property. This limit shall be expressed as a percentage of the market value of the subject property (before consideration of the solar energy system) and this limit shall not exceed 20 percent of the market value of the subject property (without a solar energy system).

Lender Submission Contact Sheet

(to be submitted with ALL Firm Commitment submissions and ALL LG Cert submissions)

Lender Info

Lender Name: _____

Submitter's Name: _____

Submitter's Phone #: _____

Submitter's Email: _____

Submitter's Fax #: _____

Fax # for Firm Commitments (if different): _____

Borrower Info

Section 184 Case #: _____

Section 184 Cohort # (if applicable): _____

Borrower Name: _____

Co-borrower Name: _____

Tribal Affiliation: _____

Type of Submission (CIRCLE): Firm Commitment OR Loan Guarantee

Type of Land (CIRCLE): Fee Simple OR Tribal Trust OR Allotted

"Existing Construction"
ENVIRONMENTAL REVIEW RECORD

COMPLIANCE WITH 24 CFR 58.6

FLOOD DISASTER PROTECTION ACT

1. Is the project located within a Special Flood Hazard Area as mapped by the Federal Emergency Management Agency (FEMA)? ____ Yes ____ No
2. If the project site has not been mapped by FEMA, is it in a flood prone area as determined by another qualified source?

Source Documentation: _____

If the answer to either question 1 or 2 is yes, the project cannot proceed unless flood insurance is obtained through the National Flood Insurance Program.

Insurance Policy Number: _____

COASTAL BARRIER IMPROVEMENT ACT

1. Is the project located within a designated coastal resource area? ____ Yes ____ No

NOTE: There are no coastal barriers along the Pacific coast.

RUNWAY CLEAR ZONE/CLEAR ZONE

1. Does the project involve the sale or acquisition of existing property within an FAA-designated runway clear zone?
____ Yes ____ No

Source documentation: _____

If yes, responsibility entity must advise the buyer of existing conditions/implications and a disclaimer signed by owner must be attached.

PREPARED BY: _____ **DATE:** _____